

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**CITY OF LITTLE ROCK,
ARKANSAS**

**FISCAL YEAR ENDED
DECEMBER 31, 2003**

**PREPARED BY:
THE DEPARTMENT OF FINANCE**

**ROBERT K. BILES, CPA
DIRECTOR OF FINANCE**

**SHIRLEY MANNING, CPA
CONTROLLER**

City of Little Rock, Arkansas

Comprehensive Annual Financial Report

For the Year Ended December 31, 2003

The Department of Finance

Robert K. Biles, CPA
Director of Finance

Shirley Manning, CPA, CGFM
City Controller

City of Little Rock, Arkansas

Year Ended December 31, 2003

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INTRODUCTORY SECTION

May 20, 2004

To the Honorable Mayor, Members of the Board of Directors,
and Citizens of the City of Little Rock:

State law requires that all cities of the first class publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Little Rock, Arkansas for the fiscal year ended December 31, 2003.

This report consists of management's representations concerning the finances of the City of Little Rock. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Little Rock has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Little Rock's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Little Rock's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Little Rock's financial statements have been audited by BKD, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Little Rock for the fiscal year ended December 31, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Little Rock's financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Little Rock was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit Section of this Comprehensive Annual Financial Report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Little Rock’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Little Rock, incorporated in 1831, is located in the central part of the state, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City of Little Rock currently occupies a land area of 122 square miles and serves a population of 183,133. The City of Little Rock is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Little Rock has operated under the council-manager form of government since 1957. Policy-making and legislative authority are vested in a governing council consisting of the mayor and ten other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government’s manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government and for appointing the heads of various departments. The council is elected on a non-partisan basis. In 1993 voters of the city approved modifications to the City Manager/City Board form of municipal government. The modifications approved provided the expansion of the City Board of Directors from seven Directors to ten Directors; seven Directors are elected by wards, and three Directors are elected citywide; the Mayor’s position is a citywide elected position with the Mayor serving a four-year term. In 1994 Wards One, Two, Three, Five, Six and Seven elected Directors to serve four-year terms. In 1996 the entire electorate elected Directors for the three at-large positions to serve four-year terms, and Ward Four elected a Director to a four-year term. The Mayor of the City was elected in 2002 for a term expiring December 31, 2006.

The City of Little Rock provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure and recreational activities and cultural events. The annual budget serves as the foundation for the City of Little Rock's financial planning and control. All departments of the City of Little Rock are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Board of Directors for review prior to October 31. The Board of Directors is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Little Rock's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Department heads may make transfers of appropriations with a department. Transfers of appropriations between departments require the special approval of the City Manager, unless the amount is above \$50,000, and then it requires the Board of Director's approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 62 as part of the basic financial statements for the governmental funds. For the Street Fund, this comparison is presented on page 78.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Little Rock operates.

Local Economy. The City of Little Rock currently enjoys a favorable economic environment and local indicators point to continued stability.

The City of Little Rock has an increasing property tax base. Little Rock's General Fund receives approximately \$16,100,000 from property and related taxes derived from the assessment of ad valorem taxes upon the appraised value of real and personal property. With the passage of Amendment 79 in 2001, real estate property taxes were reduced \$300 in exchange for an additional ½ cent sales tax on gross receipts. The Amendment also limited any increase in the assessed value of property to not more than five percent (5%) of the assessed value of the previous year. This limitation has reduced the growth of property tax revenue.

Sales taxes include the revenue derived from a one-half cent City sales and use tax effective February 1994, the City's portion of a one-cent Pulaski County sales and use tax, and certain turnback funds from the State of Arkansas. Sales taxes make up over half of the City's General Fund revenues. Excluding use taxes, sales tax collections were 1.19% higher than the previous year. Since November 2002, the use taxes of \$3,559,338 collected for the city have been held in escrow. Due to the date of the ruling by the Arkansas Supreme Court on the legality of such taxes regarding the County 1-cent tax, this amount is considered accounts receivable at December 31, 2003.

Franchise fees on utilities provide approximately one-fifth of all general fund revenues. The majority of franchise fees paid to the city were lower because of weather, refunds back to utilities and overall changes in industries such as telecommunications. Revenue from business licenses increased significantly because of a summer program initiated to capture all businesses operating without a license. Over 1,000 new businesses were set up during this program, generating in excess of \$200,000 annually.

A new law reallocates the insurance payments received for fire and police pensions based on population and city boundaries resulting in an increased of \$780,000 over last year.

Long-term financial planning. Under the Mayor's direction, the Board of Directors launched a new initiative called Vision Little Rock, which is a community-wide goal setting process designed to develop a comprehensive vision and related action plan for Little Rock's first ten years of the new millennium. This effort is citizen-based and is actively engaging Little Rock residents in the development of goals, action steps, and implementation strategies. The Vision Little Rock report has been presented to the Board of Directors. At a November 2003 election, voters overwhelming approved nine ballots which will result in \$69,000,000 of capital improvements being made over the next three years.

Little Rock is part of the Pulaski County Empowerment Zone. It is one of only seven urban areas nationwide to receive an Empowerment Zone designation from the Department of Housing and Urban Development. The designation is designed to support growth and revitalization opportunities for distressed areas of communities, and is part of a business tax incentive package valued at \$17 to \$22 billion nationwide. The designation period runs until December 31, 2009.

Little Rock is also an Arkansas Community of Excellence (ACE). Developed by the Arkansas Department of Economic Development to help communities prepare themselves for community growth, the ACE designation indicates to prospects that the community has what it takes to be a future industry location.

Downtown Little Rock will be the location of the William J. Clinton Presidential Center and Park and is scheduled to open in November 2004. It will be located on 26 acres of park located beside the Arkansas River. Little Rock will be the focus of national attention and a destination for visitors from all over the world. The architecture is world-class and designed by the Polshek firm of New York City. Heifer Project International will be building its international headquarters in downtown Little Rock and immediately south of the William J. Clinton Presidential Library and Museum and will open in 2005. Work on a \$59 million dollar expansion of the Federal District Courthouse in downtown Little Rock began in early 2003.

By Fall of 2004, streetcars will once again be a form of transportation in the downtowns of Little Rock and North Little Rock with vintage trolleys on a 2.2 mile track connecting the major downtown destinations of the twin cities.

Axiom opened its 12 story office headquarters in early 2003 just three blocks south of the RiverMarket area of downtown Little Rock. A 14 story commercial/residential development one block south of the RiverMarket area broke ground in 2003, and will open in Fall 2004. The City is constructing a 586 space parking deck on the same block to accommodate the growing parking demand in the RiverMarket area and will open in July 2004.

Cash management policies and practices. Cash temporarily idle during the year was invested in a state authorized pooled investment trust fund, certificates of deposit, obligations of the U. S. Treasury, obligations of a U.S. government agency, obligations of a U.S. government instrumentality, commercial paper, and money market mutual funds. The maturities of the investments range from 30 days to 2.6 years, with an average maturity of 13 months. The average yield on investments was 3.07 percent for the government. The rates of return for 2003 for locally administered pension funds are as follows:

Fire Pension	16.4%
Police Pension	22.7%
Municipal Judges	6.8%
Non-uniformed Defined Contribution	21.5%
Non-uniformed Defined Benefit	23.5%

Investment income includes appreciation (depreciation) in the fair value of investments. Increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue. The City holds its investments to maturity and realization of temporary increases or decreases in fair value of investments is unlikely. The Pension Funds are actively managed and realization of increases or decreases in fair value of investments is possible.

Risk management. During 1986, the City of Little Rock became self-funded for Workers' Compensation purposes. Since that inception, a comprehensive risk management plan has been developed for Workers' Compensation purposes. As part of this plan, resources are being accumulated in a separate reserve fund within the City General Fund to cover potential losses related to Workers' Compensation claims. In addition, numerous loss control techniques have been implemented including modified duty programs in all departments, accident prevention training, establishment of safety committees in various departments, addition of a Loss Control Specialist and Occupational Health Nurse with duties specific to the Workers' Compensation Program. The City's utilizes various third party providers (claims adjusters, "24/7" reporting/triage provider and specific reinsurance). Specific reinsurance currently in place limits the City's liability for an individual Workers' Compensation incident to \$400,000. A division manager within the Human Resources Department has been designated as Risk Manager with the responsibility for the Workers' Compensation Program in addition to employee benefit programs. That division manager has attained a national certification as a certified risk manager and has begun assuming responsibility for other citywide risk and insurance programs. Additional information on the City of Little Rock's risk management activity can be found in *Note 8* of the notes to the financial statements.

Pension and other postemployment benefits. Beginning January 1, 1983, all public safety employees were required to participate in a statewide plan (Local Police and Fire Pension Fund – LOPFI). The City is notified annually of the actuarially required contribution to that fund which is based on a percentage of salary for covered individuals. Public safety employees hired prior to January 1, 1983 participate in either the local Police Pension or Fire Pension. Funding for these pension funds comes from a dedicated mill levy (1 mill each), employee and employer contributions, insurance turnback funds provided by the State of Arkansas, and investment earnings.

The City of Little Rock also provides pension benefits for its non-uniformed employees. Those employees hired prior to January 1, 1978, are covered by a Defined Benefit Pension Fund described in the City’s Personal Policy Manual, Section III, paragraph 9. d. The City makes an actuarially determined contribution to the Defined Benefit Plan on an annual basis to ensure adequate funding. Non-uniformed employees hired on or after that date are covered through a Defined Contribution Plan. After one year of employment, City employees are required as a condition of employment to participate in this plan or for certain categories of employees an alternate plan provided by the City. The City contributes a portion of salary, as does the employee.

The City of Little Rock provides post-retirement health, dental, and optical care benefits for certain retirees and their dependents. Retirees whose age and years of service equals at least 70 may at their option continue those coverages until Medicare eligibility. At the end of the current (2003) fiscal year, there were approximately 149 retired employees receiving these benefits, which are financed on a pay-as-you go basis. Additional information on the City of Little Rock’s pension arrangements and postemployment benefits can be found in *Notes 6* and *7* in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Little Rock for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2002. The City of Little Rock has received a Certificate of Achievement for 20 years total, except for fiscal years 1997-1999. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

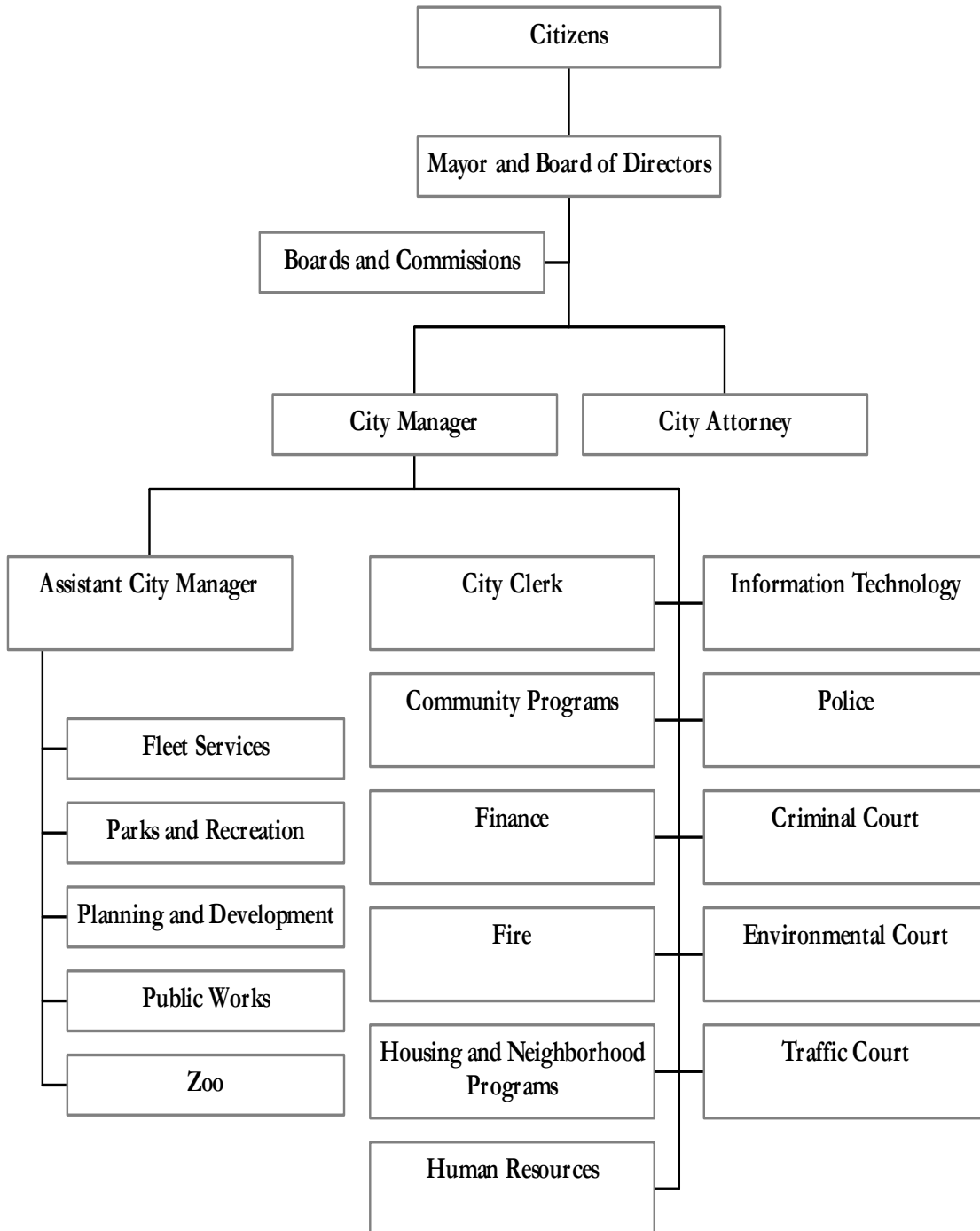
The preparation of this report on a timely basis could not have been accomplished without the efforts of certain individuals. Shirley Manning, Controller, deserves special recognition for her devotion to meeting the highest standards of accounting and financial reporting. Under Ms. Manning's leadership, the Accounting and Reporting Division worked diligently to improve the City's accounting and financial reporting. Tasha Thompson, Helen Johnson, Marcella Winzerling, Lottie Brooks, Shelia Garrett and Donna Facen should be recognized for their contributions too. Credit also must be given to the Mayor, the Board of Directors and the staff for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Little Rock finances.

Respectfully submitted,

Bruce Moore
City Manager

Robert K. Biles
Finance Director

City of Little Rock Organizational Structure



City of Little Rock

December 31, 2003

Elected Officials:

Jim Dailey
Willie Hinton
Johnnie Pugh
Stacy Hurst
Brad Cazort
Michael Keck
Genevieve Stewart
B.J. Wyrick
Dr. Dean Kumpuris
Barbara Graves
Joan Adcock
Lee Munson
David Stewart
Vic Fleming

Mayor
Vice Mayor
Director-Ward 1
Director-Ward 3
Director-Ward 4
Director-Ward 5
Director-Ward 6
Director-Ward 7
Director-Position 8
Director-Position 9
Director-Position 10
District Court – First Division
District Court – Third Division
District Court – Second Division

Appointed Officials:

Bruce Moore
Bob Turner
Tom Carpenter
Nancy Wood
Dorothy Nayles
Robert K. Biles
Rhoda Mae Kerr
Wendell Jones
Tony Bozynski
Don Flegal
Bob Hambuchen
Bryan Day
Jim Lawson
Lawrence Johnson
Guy Lowes
Michael Blakely

City Manager
Assistant City Manager
City Attorney
City Clerk
Community Programs
Finance
Fire
Fleet Services
Housing & Neighborhood Programs
Human Resources
Information Technology
Parks and Recreation
Planning and Community Development
Police
Public Works
Zoo

FINANCIAL SECTION

Independent Accountants' Report on Financial Statements and Supplementary Information

Honorable Jim Dailey, Mayor
and Members of the Board of Directors
City of Little Rock, Arkansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Little Rock, Arkansas as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wastewater Utility, Little Rock National Airport, Port Authority, Ambulance Authority, Arkansas Arts Center, Central Arkansas Library and Workforce Investment Board, which statements reflect total assets and operating revenues of \$476,339,998 and \$81,723,760, respectively, and represent 85 percent and 65 percent of the aggregate discretely presented component units' total assets and operating revenues at December 31, 2003 and for the year then ended, respectively. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Little Rock, Arkansas as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Jim Dailey, Mayor
and Members of the Board of Directors
City of Little Rock, Arkansas
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying information in the statistical section as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

/s/ **BKD, LLP**

Little Rock, Arkansas
May 7, 2004, except for
Note 16 which is dated May 20, 2004

Management's Discussion and Analysis

The following discussion and analysis of the City of Little Rock's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2003. Readers should consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements that follow this section.

Financial Highlights

- Total assets of the City exceeded total liabilities at the close of 2003 by \$105,319,470. Of this amount, \$14,218,195 is considered unrestricted. The unrestricted net assets of the City's governmental activities are \$9,699,378 and may be used to meet the government's on-going obligations. The unrestricted net assets of the City's business type activities are \$4,518,817 and may be used to meet the on-going obligations of the City's solid waste and recreation business-type activities.
- The City's total net assets increased by \$22,645,354 in 2003. Net assets of the governmental activities increased \$21,025,347 (32.0% over 2002). Net assets of the business-type activities increased \$1,620,007 (9.6% over 2002).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$45,252,270. The combined governmental funds fund balance decreased \$5,556,822 from the prior year's ending fund balance. Approximately \$13,855,078 of the \$45,252,270 fund balance is considered unreserved at December 31, 2003.
- The General Fund reported fund balance of \$9,706,745 at the end of the current fiscal year. Unreserved fund balance for the General Fund was \$9,181,438 or 5.8 percent of total General Fund expenditures (including transfers out). There was a \$104,119 increase in the total fund balance for the General Fund for the year ended December 31, 2003.
- The City's total debt increased by \$6,429,739 (3.9% over 2002) during the current year. The key factors in this increase were the issuance of one temporary note and one revenue bond for parking garage improvements.
- At the close of the current fiscal year, net assets of fiduciary funds were \$188,552,907, all held in trust for pension benefits. There was a \$24,931,986 increase in the total fiduciary net assets held in trust for the year ended December 31, 2003.
- The City's component units reported net assets of \$424,459,828 as of December 31, 2003, an increase of \$33,411,024 compared to December 31, 2002, net assets of \$391,048,804.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public safety and development. The business-type activities of the City include a solid waste system and a parks and recreation system.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following commissions:

- Oakland Fraternal Cemetery
- Little Rock Wastewater Utility
- Little Rock National Airport
- Little Rock Advertising and Promotion Commission
- Little Rock Port Authority
- Metropolitan Emergency Medical Services
- Central Arkansas Transit Authority
- Museum of Discovery
- Arkansas Arts Center
- Central Arkansas Library System
- Little Rock Workforce Investment Board

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. Complete financial statements for these component units may be obtained by contacting the administrative offices listed on page 26.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the 2004 Capital Improvements fund, both of which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 – 16 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its solid waste, recreation services and impound operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions for fleet operations. The services provided by the internal service fund predominantly benefit the governmental rather than the business-type functions. They have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provided separate information for the solid waste, recreation services, and impound operations. The Solid Waste Fund, Presidential Park Fund and River Market Garage Fund are considered to be major funds of the City. The Fleet Fund is the only internal service fund.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 – 61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s General Fund budget. The City adopts an annual appropriation budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on page 63 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary service funds are presented immediately following the required supplemental information. Combining and individual fund statements and schedules can be found on pages 70 - 81 of this report.

Government-wide Financial Analysis

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 103,966,610	\$ 100,428,608	\$ 23,436,688	\$ 16,252,384	\$ 127,403,298	\$ 116,680,992
Capital assets	<u>95,741,289</u>	<u>78,538,457</u>	<u>51,173,134</u>	<u>50,023,179</u>	<u>146,914,423</u>	<u>128,561,636</u>
Total assets	<u>199,707,899</u>	<u>178,967,065</u>	<u>74,609,822</u>	<u>66,275,563</u>	<u>274,317,721</u>	<u>245,242,628</u>
Long-term liabilities outstanding	81,682,708	84,703,582	50,898,241	44,413,466	132,580,949	129,117,048
Other liabilities	<u>31,223,727</u>	<u>28,487,366</u>	<u>5,193,575</u>	<u>4,964,098</u>	<u>36,417,302</u>	<u>33,451,464</u>
Total liabilities	<u>112,906,435</u>	<u>113,190,948</u>	<u>56,091,816</u>	<u>49,377,564</u>	<u>168,998,251</u>	<u>162,568,512</u>
Net assets	<u>\$ 86,801,464</u>	<u>\$ 65,776,117</u>	<u>\$ 18,518,006</u>	<u>\$ 16,897,999</u>	<u>\$ 105,319,470</u>	<u>\$ 82,674,116</u>
Invested in capital assets, net of related debt	\$ 63,394,603	\$ 44,035,519	\$ 4,117,095	\$ 9,598,629	\$ 67,511,698	\$ 53,634,148
Restricted	13,707,483	14,394,986	9,882,094	5,092,032	23,589,577	19,487,018
Unrestricted	<u>9,699,378</u>	<u>7,345,612</u>	<u>4,518,817</u>	<u>2,207,338</u>	<u>14,218,195</u>	<u>9,552,950</u>
Total net assets	<u>\$ 86,801,464</u>	<u>\$ 65,776,117</u>	<u>\$ 18,518,006</u>	<u>\$ 16,897,999</u>	<u>\$ 105,319,470</u>	<u>\$ 82,674,116</u>

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City’s assets exceeded liabilities by \$105,319,470 at the close of the most recent fiscal year.

The largest portion of the City’s net assets (64.1 percent) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (22.4 percent) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$14,218,195) may be used to meet the government's on-going obligations to citizens and creditors. It is important to note that although the total unrestricted net assets are \$14,218,195; the net assets of the City's business-type activities (\$4,518,817) may not be used to fund governmental activities. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 25,549,120	\$ 20,596,423	\$ 20,032,383	\$ 18,716,360	\$ 45,581,503	\$ 39,312,783
Operating grants and contributions	5,977,538	5,542,201	—	—	5,977,538	5,542,201
Capital grants and contributions	2,120,944	3,886,509	—	—	2,120,944	3,886,509
General revenues:						
Property taxes	33,090,573	33,604,029	—	—	33,090,573	33,604,029
Sales taxes	54,800,103	52,651,567	—	—	54,800,103	52,651,567
Utility franchise fees	20,890,103	20,662,981	—	—	20,890,103	20,662,981
Investment earnings	484,545	1,450,829	353,737	379,525	838,282	1,830,354
Grants and contributions not restricted to specific programs	22,165,634	10,127,862	—	—	22,165,634	10,127,862
Other	—	—	(38,547)	7,767	(38,547)	7,767
Transfers	(1,981,444)	(12,664,970)	1,981,444	534,706	—	(12,130,264)
Total revenues and transfers	<u>163,097,116</u>	<u>135,857,431</u>	<u>22,329,017</u>	<u>19,638,358</u>	<u>185,426,133</u>	<u>155,495,789</u>
Expenses:						
General government	35,574,263	32,396,254	—	—	35,574,263	32,396,254
Public works	14,080,582	15,012,426	—	—	14,080,582	15,012,426
Parks and recreation	7,794,235	8,369,683	4,673,668	5,327,334	12,467,903	13,697,017
Public safety	72,943,737	69,204,871	—	—	72,943,737	69,204,871
Economic development	1,212,133	1,010,845	—	—	1,212,133	1,010,845
Education	147,691	2,165,955	—	—	147,691	2,165,955
Housing and neighborhood programs	8,336,416	6,291,854	—	—	8,336,416	6,291,854
Interest on long-term debt	1,971,553	2,706,179	—	—	1,971,553	2,706,179
Other	11,159	139,883	—	—	11,159	139,883
Waste disposal	—	—	11,150,818	12,259,655	11,150,818	12,259,655
Parking system	—	—	732,316	625,335	732,316	625,335
Zoo	—	—	2,986,464	2,973,358	2,986,464	2,973,358
Impound	—	—	1,165,744	1,049,717	1,165,744	1,049,717
Total expenses	<u>142,071,769</u>	<u>137,297,950</u>	<u>20,709,010</u>	<u>22,235,399</u>	<u>162,780,779</u>	<u>159,533,349</u>
Increase (decrease) in net assets	21,025,347	(1,440,519)	1,620,007	(2,597,041)	22,645,354	(4,037,560)
Net assets - January 1	<u>65,776,117</u>	<u>67,216,636</u>	<u>16,897,999</u>	<u>19,495,040</u>	<u>82,674,116</u>	<u>86,711,676</u>
Net assets - December 31	<u>\$ 86,801,464</u>	<u>\$ 65,776,117</u>	<u>\$ 18,518,006</u>	<u>\$ 16,897,999</u>	<u>\$105,319,470</u>	<u>\$ 82,674,116</u>

Governmental activities. Governmental activities increased the City's net assets by \$21,025,347, thereby accounting for 92.8% percent of total growth in net assets of the City. The growth is mainly due to net capital asset acquisitions exceeding depreciation by \$17,579,076 and \$3,559,338 from a successful outcome of the County use tax lawsuit.

Property tax represents 20.3% of the City's governmental revenue in 2003. Sales tax represents 33.6% of the City's governmental revenue in 2003. Current year expenses were 87.1% of current year revenues.

Business-type activities. Business-type activities increased the City's net assets by \$1,620,007, accounting for 7.2% of the total change in the government's net assets. Key elements of this increase are as follows:

- Presidential park operations and net interest expense contributed \$323,965 toward the total \$482,065 increase in net assets. Net transfers in added \$158,100 to net assets.
- Waste disposal operating income increased net assets by \$3,364,854. Nonoperating expense and transfers out decreased net assets by \$938,310 and \$897,992, respectively.
- RiverMarket garage operating income of \$216,490 was offset by nonoperating expense of \$313,557.
- Net transfers in of \$2,721,336 mostly offset the other proprietary funds operating loss of \$3,014,879.

Solid Waste activities contribute 60.0% of the revenue to the business-type activities. Current year expenses were 92.7% of current year revenues.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of \$45,252,270, a decrease of \$5,556,822 in comparison with the prior year. Approximately \$13,855,078 of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects, debt service and other purposes.

The General Fund is the chief operating fund of the city. At December 31, 2003, unreserved fund balance of the General Fund was \$9,181,438, while the total fund balance was \$9,706,745. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures (including transfers out). Unreserved fund balance represents 8.2% of total General Fund expenditures (including transfers out), while total fund balance represents 8.7% of that same amount.

The fund balance of the City's General Fund increased by \$104,119 during 2003. During the year, the City closely monitored revenues and took actions to keep expenditures below revenues.

The special revenue funds had a total fund balance of \$8,204,810. The net decrease in fund balance during 2003 for the funds was \$616,463. Revenues for special projects come from intergovernmental sources, property taxes and charges for services. Net changes and ending fund balance by fund are:

Fund	Net Change	Ending Balance
Street	\$ 796,209	\$ 2,523,477
Special Projects	(405,557)	804,796
Economic Development	2,389	117,593
Infrastructure	(421,291)	1,911,354
Emergency 911	335,433	1,520,375
CDBG	(588,974)	5,360
NHSP	(418,312)	774,847
HIPP	221,887	583,693
Grant	(138,247)	(36,685)

The debt service funds had a total fund balance of \$11,407,558. The net decrease in fund balance during 2003 for the funds was \$40,775. Revenues for debt service funds come from property tax or franchise fees set at the level necessary to meet debt service requirements. Net changes and ending fund balance by fund are:

Fund	Net Change	Ending Balance
1998 Street and Drainage	\$ (112,264)	\$ 1,527,274
1999 Central Arkansas Library	70,292	2,366,853
2001 Refunding	(5,104)	7,507,130
2001 Junior Lien Bonds	6,301	6,301

The capital project funds had a total fund balance of \$15,933,157. The net decrease in fund balance during 2003 for the funds was \$5,003,703. Revenues for capital projects come primarily from loan proceeds. During 2003, the City issued \$4,250,000 of short-term notes and expended all but \$265,624 of the amount. The net decreases and ending fund balance in other capital project funds were:

Fund	Net Decrease	Ending Balance
1998 Capital Improvement	\$ 1,359,926	\$ 5,183,856
1995 Capital Improvement	222,004	672,917
1988 Capital Improvement	39,517	2,467,181
Central Arkansas Library	1,270,782	7,364,250
Junior Lien Bonds	1,065,367	46,540
2004 Capital Improvements	67,064	(67,064)
2002 Short-term Financing	1,244,667	(147)

Enterprise funds. The City's enterprise funds provide the same information found in the government-wide financial statements, but with more detail.

Net assets at the end of the year amounted to \$9,738,292, \$(1,816,365), \$22,291 and \$10,573,788 for Waste Disposal, Presidential Park, RiverMarket garage, and other proprietary funds operations, respectively. Net assets increased in the Waste Disposal and Presidential Park funds by \$1,528,552 and \$482,065, respectively. Net assets decreased in the RiverMarket garage and other proprietary funds by \$97,067 and \$293,543, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final amended General Fund budget had total appropriation of approximately \$958,462 less than the original budget. The total original appropriations, including those for transfers out, were \$102,681,413, while the final appropriations were for \$101,722,951.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2003, amounts to \$146,914,423 (net of accumulated depreciation). This investment in capital assets includes land, buildings, systems, improvements, machinery and equipment, park facilities, roads, curbs and gutters, streets and sidewalks, and drainage systems. The total increase in the City's investment in capital assets for 2003 was 14.3% (a 21.9% increase for governmental activities and a 2.3% increase for business-type activities).

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 13,048,708	\$ 13,499,320	\$ 19,951,570	\$ 19,128,918	\$33,000,278	\$ 32,628,238
Buildings	30,607,306	31,389,042	21,780,375	21,307,702	52,387,681	52,696,744
Improvements other than buildings	1,167,017	652,785	2,687,352	145,996	3,854,369	798,781
Machinery and equipment	18,096,769	17,311,801	5,261,643	5,816,845	23,358,412	23,128,646
Infrastructure	22,362,840	12,469,460	—	—	22,362,840	12,469,460
Construction in progress	<u>10,458,649</u>	<u>3,216,049</u>	<u>1,492,194</u>	<u>3,623,718</u>	<u>11,950,843</u>	<u>6,839,767</u>
Total	<u>\$95,741,289</u>	<u>\$78,538,457</u>	<u>\$51,173,134</u>	<u>\$50,023,179</u>	<u>\$146,914,423</u>	<u>\$128,561,636</u>

Major capital asset events during 2003 included the following:

- Infrastructure additions were \$11,407,647.
- Vehicle and equipment additions were \$6,403,371.
- Net construction in progress additions were \$5,111,076.
- Depreciation expense totaled \$7,582,564.

Additional information on the City's capital assets can be found in *Note 3* on pages 36 - 38 of this report.

Long-term debt. At December 31, 2003, the City, the primary government, had \$102,538,359 of long-term bonds and notes payable outstanding, including \$72,045,000 of bonds secured solely by specified revenue sources (i.e. revenue bonds).

General Obligation and Revenue Bonds Outstanding						
Governmental Activities		Business-type Activities		Total		
2003	2002	2003	2002	2003	2002	
General obligation bonds						
and notes payable	\$ 30,493,359	\$ 36,475,094	\$ —	\$ —	\$ 30,493,359	\$ 36,475,094
Revenue bonds	<u>19,875,000</u>	<u>20,710,000</u>	<u>52,170,000</u>	<u>45,170,000</u>	<u>72,045,000</u>	<u>65,880,000</u>
Total	<u>\$ 50,368,359</u>	<u>\$ 57,185,094</u>	<u>\$ 52,170,000</u>	<u>\$ 45,170,000</u>	<u>\$ 102,538,359</u>	<u>\$ 102,355,094</u>

Total long-term bonds and notes payable outstanding at December 31, 2003 increased by \$183,265, a 0.2% increase over December 31, 2002. New debt was issued for parking garage improvements and vehicles and equipment. During 2003, the City refunded the 1997 parking garage revenue bonds and incurred an economic loss of \$121,461.

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investors Service, Inc. are "AA-" and "Aa3", respectively. The City's bond ratings are shown in the following table.

Description	Moody's Investors Service	Standard & Poor
General Obligation Debt		
1998 Street & Drainage	Not Rated	AAA (Ambac)
1999 Library Refunding	Not Rated	AA
2001 Limited Tax General Obligation	Aa3	AA
2002 Capital Improvements Junior Lien	Not Rated	AAA (Ambac)
Revenue Debt		
2003 Capital Improvement and Refunding Revenue	Aaa (XL Capital)	AAA(XL Capital)
1998 Parks & Recreation Bonds	Not Rated	Not Rated
2002 Waste Disposal Refunding and Improvement	Aaa	A-
Discrete Component Units		
1990 Sewer Revenue	Not Rated	Not Rated
1991 Sewer Revenue	Not Rated	Not Rated
1996 Sewer Revenue	Not Rated	Not Rated
1999 Sewer Revenue	Not Rated	Not Rated
2001 Sewer Revenue	A1	Not Rated
1993 A&P Refunding	A	Not Rated
2003 Airport Revenue	Aaa	AAA
1999A Airport Revenue	A1	AAA
1999B Airport Revenue	Aaa	AAA

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation. Outstanding general obligation bonds at December 31, 2003 of \$38,965,000 are well below the statutory limit of \$504,753,032. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term financings at December 31, 2003 of \$11,403,359 are well below the statutory limit of \$126,188,258. Voter approval is not required for short-term financing.

Additional information regarding the City's long-term debt can be found in *Note 4* on pages 39 - 48 of this report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2004 budget. With the uncertainty surrounding the economy, the City considered the impact on its two primary revenue sources: sales tax and franchise fees. The Mayor and Board of Directors decided that it was important to: 1) put the highest premium on safety for the people of Little Rock and City employees, and 2) adopt a budget designed to promote long-term fiscal stability by creating additional budget reserves. In order to meet the objectives of the 2004 budget, the City recognized the need to continue its pattern of cost containment. The total 2004 General Fund budget is \$110,407,056.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director's Office, 500 West Markham, Room 208, Little Rock, Arkansas 72201.

BASIC FINANCIAL STATEMENTS

City of Little Rock, Arkansas
Statement of Net Assets
December 31, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 375,288	\$ 3,888,698	\$ 4,263,986	\$ 30,444,558
Investments	8,708,663	5,784,767	14,493,430	2,611,057
Restricted cash and investments - current	11,755,260	3,338,558	15,093,818	6,117,452
Accounts receivable, net of allowance for uncollectible accounts	53,022,934	2,209,443	55,232,377	15,677,487
Interest receivable	178,065	1,079	179,144	-
Internal balances	4,906,991	(4,906,991)	0	-
Inventories	917,738	135,100	1,052,838	1,673,976
Prepaid expenses and other	1,357,017	12,799	1,369,816	1,540,138
Total current assets	81,221,956	10,463,453	91,685,409	58,064,668
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	13,229,090	2,227,603	15,456,693	16,980,713
Investments	20,153,265	12,944,434	33,097,699	15,002,034
Grants and other receivables	-	-	0	565,831
Interest receivable	-	78,962	78,962	84,812
	33,382,355	15,250,999	48,633,354	32,633,390
Less amount required to meet current obligations	11,755,260	3,338,558	15,093,818	6,117,452
Total restricted assets	21,627,095	11,912,441	33,539,536	26,515,938
Capital assets - non-depreciable	23,507,357	21,443,764	44,951,121	92,190,365
Capital assets - depreciable, net	72,233,932	29,729,370	101,963,302	381,320,613
	95,741,289	51,173,134	146,914,423	473,510,978
Other assets				
Deferred bond issue costs	283,970	1,060,794	1,344,764	1,715,049
Net pension asset	833,589	-	833,589	-
Other	-	-	0	5,950
Total other assets	1,117,559	1,060,794	2,178,353	1,720,999
Total noncurrent assets	118,485,943	64,146,369	182,632,312	501,747,915
Total assets	\$ 199,707,899	\$ 74,609,822	\$ 274,317,721	\$ 559,812,583

See Notes to Financial Statements

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 3,367,015	\$ 575,608	\$ 3,942,623	\$ 3,005,127
Accrued wages payable and related liabilities	4,088,711	347,308	4,436,019	829,952
Accrued expenses and other	5,196,598	910,379	6,106,977	4,340,661
Accrued interest payable	736,283	900,280	1,636,563	-
Notes payable - current portion	3,308,977	-	3,308,977	126,318
Capital lease obligation - current portion	160,000	-	160,000	2,016,700
Bonds payable - current portion	7,550,000	2,460,000	10,010,000	4,403,240
Due to fiduciary funds	4,708,824	-	4,708,824	-
Deferred revenue	2,107,319	-	2,107,319	1,461,997
Total current liabilities	31,223,727	5,193,575	36,417,302	16,183,995
Noncurrent liabilities				
Notes payable	8,094,382	-	8,094,382	-
Capital lease obligation	320,000	-	320,000	24,307,605
Bonds payable, net of unamortized premium and discount	30,796,907	48,600,164	79,397,071	94,335,618
Net pension obligation	31,753,107	-	31,753,107	-
Compensated absences	10,017,481	391,037	10,408,518	525,537
Other long-term liabilities	700,831	1,907,040	2,607,871	-
Total noncurrent liabilities	81,682,708	50,898,241	132,580,949	119,168,760
Total liabilities	112,906,435	56,091,816	168,998,251	135,352,755
Net Assets				
Invested in capital assets, net of related debt	63,394,603	4,117,095	67,511,698	348,795,828
Restricted - expendable				
Debt service	11,407,558	9,882,094	21,289,652	13,171,192
Stormwater retention	168,174	-	168,174	-
911 fees	1,203,167	-	1,203,167	-
Grant funds	460,660	-	460,660	285,282
Cable network	467,924	-	467,924	-
Capital projects	-	-	0	9,857,366
Passenger facility charges	-	-	0	8,095,931
Cemetery maintenance	-	-	0	1,848,913
Total restricted - expendable	13,707,483	9,882,094	23,589,577	33,258,684
Unrestricted	9,699,378	4,518,817	14,218,195	42,405,316
Total net assets	86,801,464	18,518,006	105,319,470	424,459,828
Total liabilities and net assets	\$ 199,707,899	\$ 74,609,822	\$ 274,317,721	\$ 559,812,583

City of Little Rock, Arkansas
Statement of Activities
Year Ended December 31, 2003

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets							Component Units
	Program Revenues				Primary Government		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities								
General administration	\$ 16,940,439	\$ 10,963,428	\$ -	\$ -	\$ (5,977,011)	\$ -	\$ (5,977,011)	\$ -
Mayor and Board of Directors	303,477	-	-	-	(303,477)	-	(303,477)	-
City manager	1,165,085	-	-	-	(1,165,085)	-	(1,165,085)	-
Community programs	2,802,335	-	224,119	-	(2,578,216)	-	(2,578,216)	-
City attorney	1,287,969	-	-	-	(1,287,969)	-	(1,287,969)	-
Cable TV	144,021	-	-	-	(144,021)	-	(144,021)	-
District court - first division (criminal)	962,669	-	-	-	(962,669)	-	(962,669)	-
District court - second division (traffic)	952,154	6,513,828	-	-	5,561,674	-	5,561,674	-
District court - third division (environment)	444,787	-	-	-	(444,787)	-	(444,787)	-
Finance	4,455,002	752,035	-	-	(3,702,967)	-	(3,702,967)	-
Human resource	1,200,891	-	-	-	(1,200,891)	-	(1,200,891)	-
Information technology	2,842,152	-	-	-	(2,842,152)	-	(2,842,152)	-
Planning and development	2,073,282	1,205,865	-	-	(867,417)	-	(867,417)	-
Public works	14,080,582	435,761	-	1,732,122	(11,912,699)	-	(11,912,699)	-
Parks and recreation services	7,794,235	437,172	34,809	169,502	(7,152,752)	-	(7,152,752)	-
Fire	26,118,472	933,146	376,075	-	(24,809,251)	-	(24,809,251)	-
Police	46,825,265	2,749,856	640,177	-	(43,435,232)	-	(43,435,232)	-
Economic development	1,212,133	-	-	219,320	(992,813)	-	(992,813)	-
Education	147,691	-	288,614	-	140,923	-	140,923	-
Housing and neighborhood programs	8,336,416	1,558,029	4,413,744	-	(2,364,643)	-	(2,364,643)	-
Interest expense on long-term debt	1,971,553	-	-	-	(1,971,553)	-	(1,971,553)	-
Agent fees on long-term debt	11,159	-	-	-	(11,159)	-	(11,159)	-
Total governmental activities	142,071,769	25,549,120	5,977,538	2,120,944	(108,424,167)	0	(108,424,167)	0
Business-type Activities								
Presidential park	1,007,338	1,307,051	-	-	-	299,713	299,713	-
Waste disposal	11,150,818	13,393,676	-	-	-	2,242,858	2,242,858	-
Rivermarket garage	732,316	593,014	-	-	-	(139,302)	(139,302)	-
Riverfront park	839,162	366,049	-	-	-	(473,113)	(473,113)	-
Zoo	2,986,464	1,421,735	-	-	-	(1,564,729)	(1,564,729)	-
Impound services	1,165,744	1,344,171	-	-	-	178,427	178,427	-
Golf courses	1,785,887	849,037	-	-	-	(936,850)	(936,850)	-
Fitness center	807,110	579,989	-	-	-	(227,121)	(227,121)	-
Concessions services	234,171	177,661	-	-	-	(56,510)	(56,510)	-
Total business-type activities	20,709,010	20,032,383	0	0	0	(676,627)	(676,627)	0
Total primary government	\$ 162,780,779	\$ 45,581,503	\$ 5,977,538	\$ 2,120,944	(108,424,167)	(676,627)	(109,100,794)	0

\$	24,399,428	\$	27,811,390	\$	-	\$	-	\$	-	\$	3,411,962
	18,105,396		16,293,109		-		-		-		(1,812,287)
	52,609,069		19,057,949		1,576,070		-		-		(31,975,050)
\$	95,113,893	\$	63,162,448	\$	1,576,070	\$	0		0		(30,375,375)
General revenues											
General property taxes					33,090,573		-		33,090,573		8,752,041
Sales taxes					54,800,103		-		54,800,103		7,231,497
Utility franchise fees					20,890,103		-		20,890,103		-
Investment income and unrealized gains (losses)					484,545		353,737		838,282		1,264,135
Grants and contributions not restricted to specific programs					22,165,634		-		22,165,634		25,936,572
Other					-		(38,547)		(38,547)		20,602,154
Transfers					(1,981,444)		1,981,444		0		-
Total general revenues and transfers					129,449,514		2,296,634		131,746,148		63,786,399
Change in Net Assets											
					21,025,347		1,620,007		22,645,354		33,411,024
Net Assets, Beginning of Year											
					65,776,117		16,897,999		82,674,116		391,048,804
Net Assets, End of Year											
				\$	86,801,464	\$	18,518,006	\$	105,319,470	\$	424,459,828

City of Little Rock, Arkansas

Balance Sheet Governmental Funds December 31, 2003

	General	2004 Capital Improvements	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 748,598	\$ -	\$ 12,513,119	\$ 13,261,717
Investments	4,434,798	-	23,373,536	27,808,334
Accounts receivable	28,910,826	7,546,719	9,489,032	45,946,577
Due from other funds	6,028,595	-	232	6,028,827
Interest receivable	30,325	-	142,594	172,919
Inventories	-	-	437,129	437,129
Prepaid expenditures and other	703,639	-	250,710	954,349
Total assets	<u>\$ 40,856,781</u>	<u>\$ 7,546,719</u>	<u>\$ 46,206,352</u>	<u>\$ 94,609,852</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,567,782	\$ -	\$ 1,540,474	\$ 3,108,256
Due to other funds	4,709,056	-	1,145,000	5,854,056
Accrued wages payable and related liabilities	3,661,108	-	322,885	3,983,993
Accrued expenditures and other	4,725,417	-	359,913	5,085,330
Deferred revenue	<u>16,486,673</u>	<u>7,546,719</u>	<u>7,292,555</u>	<u>31,325,947</u>
Total liabilities	<u>31,150,036</u>	<u>7,546,719</u>	<u>10,660,827</u>	<u>49,357,582</u>
Fund Balances				
Reserved				
Capital projects	-	-	15,933,157	15,933,157
Special projects - ADA	57,383	-	261,550	318,933
Debt service	-	-	11,407,558	11,407,558
Developer contribution account	-	-	513,265	513,265
Stormwater retention	-	-	168,174	168,174
Court automation	-	-	57,799	57,799
911 fees	-	-	1,203,167	1,203,167
Grant funds	-	-	1,327,215	1,327,215
Cable network	<u>467,924</u>	<u>-</u>	<u>-</u>	<u>467,924</u>
Total reserved	<u>525,307</u>	<u>0</u>	<u>30,871,885</u>	<u>31,397,192</u>
Unreserved				
General Fund	9,181,438	-	-	9,181,438
Special revenues	<u>-</u>	<u>-</u>	<u>4,673,640</u>	<u>4,673,640</u>
Total unreserved	<u>9,181,438</u>	<u>-</u>	<u>4,673,640</u>	<u>13,855,078</u>
Total fund balances	<u>9,706,745</u>	<u>-</u>	<u>35,545,525</u>	<u>45,252,270</u>
Total liabilities and fund balances	<u>\$ 40,856,781</u>	<u>\$ 7,546,719</u>	<u>\$ 46,206,352</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial and are not reported in the funds.	95,741,288
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds.	(92,268,449)
An internal service fund is used to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,797,063
Amounts reported as deferred revenue are not recognized at the fund level on the modified accrual basis but are reported as revenues on the full accrual basis in the government-wide statements.	31,574,721
Revenues that do not provide current financial resources at the fund level on the modified accrual basis are reported as revenues on the full accrual basis in the government-wide statements.	<u>4,704,571</u>
	<u>\$ 86,801,464</u>

City of Little Rock, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2003

	General	2004 Capital Improvements	Other Governmental Funds	Total
Revenues				
General property taxes	\$ 16,120,129	\$ -	\$ 13,252,841	\$ 29,372,970
Sales taxes	51,240,765	-	-	51,240,765
Licenses and permits	8,708,523	-	-	8,708,523
Intergovernmental	1,834,379	-	16,786,660	18,621,039
Charges for services	4,301,717	-	457,630	4,759,347
Fines and fees	3,679,892	-	1,633,730	5,313,622
Utility franchise fees	19,216,044	-	1,674,059	20,890,103
Investment income and unrealized gains	3,787	-	480,758	484,545
Miscellaneous	696,655	-	3,343,651	4,040,306
Total revenues	105,801,891	0	37,629,329	143,431,220
Expenditures				
General government				
General administration	11,450,305	-	2,536	11,452,841
Mayor and Board of Directors	303,477	-	-	303,477
City manager	905,962	-	258,160	1,164,122
Community programs	2,669,890	-	129,190	2,799,080
City attorney	1,284,041	-	-	1,284,041
Cable TV	135,779	-	-	135,779
District court - first division (criminal)	911,705	-	25,109	936,814
District court - second division (traffic)	898,403	-	53,091	951,494
District court - third division (environment)	443,482	-	-	443,482
Finance	2,294,340	-	2,882,648	5,176,988
Human resource	1,175,418	-	14,575	1,189,993
Information technology	2,423,691	-	293,233	2,716,924
Planning and development	1,994,355	-	84,248	2,078,603
Total general government	26,890,848	0	3,742,790	30,633,638
Public works	1,427,706	-	16,500,979	17,928,685
Parks and recreation services	6,637,468	-	1,319,851	7,957,319
Fire	26,203,805	-	1,837,138	28,040,943
Police	40,652,580	-	3,407,050	44,059,630
Fleet	-	-	910,617	910,617
Economic development	-	-	301,516	301,516
Education	-	-	147,691	147,691
Housing and neighborhood programs	3,321,191	-	6,355,554	9,676,745
Debt Service				
Principal	-	-	9,660,000	9,660,000
Interest	-	-	1,932,911	1,932,911
Agent fees	-	-	11,159	11,159
Total expenditures	105,133,598	0	46,127,256	151,260,854
Excess (Deficiency) of Revenues Over Expenditures	668,293	0	(8,497,927)	(7,829,634)
Other Financing Sources (Uses)				
Long-term debt issuance	-	-	4,250,000	4,250,000
Transfers in	5,761,551	-	1,005,401	6,766,952
Transfers out	(6,325,725)	-	(2,418,415)	(8,744,140)
Total other financing sources (uses)	(564,174)	0	2,836,986	2,272,812
Net Change in Fund Balances	104,119	-	(5,660,941)	(5,556,822)
Fund Balances, Beginning of Year	9,602,626	-	41,206,466	50,809,092
Fund Balances, End of Year	\$ 9,706,745	\$ 0	\$ 35,545,525	\$ 45,252,270

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (5,556,822)
Governmental funds report capital outlays as expenditures. However, for government-wide statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of capital assets in 2004 are as follows:	
Capital asset purchases	11,508,278
Capital asset contributions	11,643,077
Depreciation expense	(5,572,279)
Revenues that do not provide current financial resources, such as property taxes and fines and fees are not reported as revenues for the funds but are reported as revenues in the statement of activities.	4,311,110
Revenues held in escrow (released subsequent to year-end) that do not provide current financial resources and are not reported as revenues for the funds but are reported as revenues in the statement of activities.	3,559,338
Long-term debt issuance provides current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net assets.	(4,250,000)
The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	11,226,735
Expenses that do not require current financial resources (such as interest, litigation, compensated absences, etc.) are not reported as expenses for the funds but are reported as expenses in the statement of activities.	(2,154,766)
Net pension obligation and/or assets do not require current financial resources and are not recorded in governmental funds. However, for government-wide statements, the liabilities and assets are recorded and a corresponding increase/decrease in expense is recognized.	(3,472,398)
An internal service fund is used to charge the costs of fleet management to individual funds. The change in net assets of this fund is included in governmental activities in the statement of activities.	<u>(216,926)</u>
Change in net assets of governmental activities	\$ <u><u>21,025,347</u></u>

City of Little Rock, Arkansas
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 2,775,503	\$ 970,184	\$ 143,011	\$ 3,888,698	\$ 342,661
Investments	-	5,336,798	27,912	420,057	5,784,767	1,053,594
Restricted cash and investments - curren	845,806	2,143,246	349,506	-	3,338,558	-
Accounts receivable	-	2,209,443	-	-	2,209,443	15,694
Due from other funds	-	193	-	-	193	23,589
Accrued interest	-	-	-	1,079	1,079	5,146
Inventories	-	-	-	135,100	135,100	480,609
Prepaid expenses	-	10,391	-	2,408	12,799	402,668
Total current assets	845,806	12,475,574	1,347,602	701,655	15,370,637	2,323,961
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	1,455,356	238,188	534,059	-	2,227,603	-
Investments	2,140,483	5,704,916	5,099,035	-	12,944,434	-
Accrued interest	5,354	48,306	25,302	-	78,962	-
	3,601,193	5,991,410	5,658,396	0	15,250,999	0
Less amount required to meet current obligations	845,806	2,143,246	349,506	-	3,338,558	-
Total restricted assets	2,755,387	3,848,164	5,308,890	0	11,912,441	0
Capital assets						
Land and land improvements	10,911,566	1,814,495	822,652	6,402,857	19,951,570	508,013
Landfills, Cells 1, 2 and 4	-	10,895,701	-	-	10,895,701	-
Construction in progress	-	2,236	1,489,958	-	1,492,194	32,205
Buildings and improvements	6,452	12,794,250	2,095,322	9,406,761	24,302,785	1,303,271
Vehicles	-	8,667,635	-	1,252,129	9,919,764	814,548
Furniture and equipment	-	3,714,366	-	216,964	3,931,330	597,017
	10,918,018	37,888,683	4,407,932	17,278,711	70,493,344	3,255,054
Less accumulated depreciation	596	16,491,975	290,542	2,537,097	19,320,210	1,325,116
Net capital assets	10,917,422	21,396,708	4,117,390	14,741,614	51,173,134	1,929,938
Other assets						
Deferred bond issue costs	67,184	279,478	714,132	-	1,060,794	-
Total other assets	67,184	279,478	714,132	-	1,060,794	0
Total noncurrent assets	13,739,993	25,524,350	10,140,412	14,741,614	64,146,369	1,929,938
Total assets	\$ 14,585,799	\$ 37,999,924	\$ 11,488,014	\$ 15,443,269	\$ 79,517,006	\$ 4,253,899

See Notes to Financial Statements

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Proprietary Funds	Total	
Liabilities and Net Assets						
Current liabilities						
Accounts payable	\$ 2,936	\$ 351,435	\$ -	\$ 221,237	\$ 575,608	\$ 258,759
Due to other funds	845,806	-	-	4,061,378	4,907,184	193
Accrued wages payable and related liabilities	-	177,340	-	169,968	347,308	104,718
Accrued expenses and other	-	709,053	-	201,326	910,379	111,268
Accrued interest	437,528	178,246	284,506	-	900,280	-
Bonds payable - current portion	430,000	1,965,000	65,000	-	2,460,000	-
Total current liabilities	1,716,270	3,381,074	349,506	4,653,909	10,100,759	474,938
Noncurrent liabilities						
Bonds payable, net of unamortized premium and discount	14,685,894	22,798,053	11,116,217	-	48,600,164	-
Compensated absences	-	175,465	-	215,572	391,037	51,960
Other long-term liabilities	-	1,907,040	-	-	1,907,040	-
Total noncurrent liabilities	14,685,894	24,880,558	11,116,217	215,572	50,898,241	51,960
Total liabilities	16,402,164	28,261,632	11,465,723	4,869,481	60,999,000	526,898
Net Assets						
Invested in capital assets, net of related debt	(3,190,240)	(1,107,198)	(6,327,401)	14,741,934	4,117,095	1,929,938
Restricted - expendable Debt service	2,222,020	3,078,116	4,581,958	-	9,882,094	-
Unrestricted	(848,145)	7,767,374	1,767,734	(4,168,146)	4,518,817	1,797,063
Total net assets	(1,816,365)	9,738,292	22,291	10,573,788	18,518,006	3,727,001
Total liabilities and net assets	\$ 14,585,799	\$ 37,999,924	\$ 11,488,014	\$ 15,443,269	\$ 79,517,006	\$ 4,253,899

City of Little Rock, Arkansas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
Operating Revenues						
Charges for goods and services	\$ 1,299,999	\$ 13,306,903	\$ 592,374	\$ 4,228,437	\$ 19,427,713	\$ 6,322,235
Miscellaneous	7,052	86,773	640	510,205	604,670	38,339
Total operating revenues	1,307,051	13,393,676	593,014	4,738,642	20,032,383	6,360,574
Operating Expenses						
Salaries, wages and employee benefits	-	3,926,532	-	4,170,412	8,096,944	2,292,658
Supplies and materials	521	588,790	109	825,931	1,415,351	2,535,645
Services	53,161	1,870,778	-	1,534,062	3,458,001	1,201,604
Repairs and maintenance	-	1,854,971	-	548,652	2,403,623	234,426
Other	6,780	171,241	312,498	387,218	877,737	13,691
Depreciation and amortization	6,252	1,616,510	63,917	352,263	2,038,942	174,227
Total expenses	66,714	10,028,822	376,524	7,818,538	18,290,598	6,452,251
Operating Income (Loss)	1,240,337	3,364,854	216,490	(3,079,896)	1,741,785	(91,677)
Nonoperating Revenues (Expenses)						
Interest income	24,252	263,933	42,235	23,317	353,737	28,845
Interest expense	(940,624)	(1,121,996)	(355,792)	-	(2,418,412)	-
Other, net	-	(80,247)	-	41,700	(38,547)	(154,094)
Net nonoperating revenues (expenses)	(916,372)	(938,310)	(313,557)	65,017	(2,103,222)	(125,249)
Income (Loss) Before Transfers	323,965	2,426,544	(97,067)	(3,014,879)	(361,437)	(216,926)
Transfers In	193,052	-	-	3,009,604	3,202,656	-
Transfers Out	(34,952)	(897,992)	-	(288,268)	(1,221,212)	(4,256)
	158,100	(897,992)	0	2,721,336	1,981,444	(4,256)
Changes in Net Assets	482,065	1,528,552	(97,067)	(293,543)	1,620,007	(221,182)
Net Assets, Beginning of Year	(2,298,430)	8,209,740	119,358	10,867,331	16,897,999	3,948,183
Net Assets, End of Year	\$ (1,816,365)	\$ 9,738,292	\$ 22,291	\$ 10,573,788	\$ 18,518,006	\$ 3,727,001

City of Little Rock, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Presidential Park	Waste Disposal	River Market Garage	Other Enterprise Funds	Total	
Operating Activities						
Receipts from customers	\$ 1,299,999	\$ 13,283,937	\$ 592,374	\$ 4,232,068	\$ 19,408,378	\$ 6,319,358
Other receipts	7,052	86,773	640	510,205	604,670	38,339
Payments to employees	-	(3,884,820)	-	(3,854,433)	(7,739,253)	(2,260,004)
Payments to suppliers	(521)	(562,693)	(109)	(829,520)	(1,392,843)	(2,640,752)
Payments to service providers	(54,561)	(1,788,416)	-	(1,526,280)	(3,369,257)	(1,261,056)
Other payments	(6,780)	(1,998,412)	(486,414)	(746,620)	(3,238,226)	(248,117)
Net cash provided by (used in) operating activities	1,245,189	5,136,369	106,491	(2,214,580)	4,273,469	(52,232)
Noncapital Financing Activities						
Transfers to other funds	733,858	-	-	3,009,604	3,743,462	-
Transfers from other funds	(34,952)	(897,992)	-	(288,268)	(1,221,212)	(4,256)
Net cash provided by (used in) noncapital financing activities	698,906	(897,992)	0	2,721,336	2,522,250	(4,256)
Capital and Related Financing Activities						
Proceeds from sale of capital assets	-	70,319	-	-	70,319	156,261
Purchase of capital assets	-	(869,071)	(2,312,611)	(34,394)	(3,216,076)	(85,612)
Other	-	(78,015)	-	41,700	(36,315)	(22,726)
Proceeds from issuance of long-term debt	-	-	11,254,592	-	11,254,592	-
Bond issue costs paid	-	-	(729,062)	-	(729,062)	-
Principal paid on long-term debt	(405,000)	(2,270,000)	(2,180,000)	-	(4,855,000)	-
Interest paid on long-term debt	(886,598)	(1,103,526)	(96,719)	-	(2,086,843)	-
Net cash provided by (used in) capital and related financing activities	(1,291,598)	(4,250,293)	5,936,200	7,306	401,615	47,923
Investing Activities						
Proceeds from sale of investments	32,642	1,415,028	9,044,488	12,127	10,504,285	2,029,526
Purchase of investments	(887,611)	(3,186,959)	(14,171,435)	(420,057)	(18,666,062)	(2,258,859)
Interest income	22,125	285,921	16,933	22,238	347,217	34,459
Net cash used in investing activities	(832,844)	(1,486,010)	(5,110,014)	(385,692)	(7,814,560)	(194,874)
Increase (Decrease) in Cash and Cash Equivalents	(180,347)	(1,497,926)	932,677	128,370	(617,226)	(203,439)
Cash and Cash Equivalents, Beginning of Year	1,635,703	4,511,617	571,566	14,641	6,733,527	546,100
Cash and Cash Equivalents, End of Year	\$ 1,455,356	\$ 3,013,691	\$ 1,504,243	\$ 143,011	\$ 6,116,301	\$ 342,661
Presented on the Statement of Fund Net Assets - Proprietary Funds as Follows:						
Current assets						
Cash and cash equivalents	\$ -	\$ 2,775,503	\$ 970,184	\$ 143,011	\$ 3,888,698	\$ 342,661
Noncurrent assets						
Cash and cash equivalents	1,455,356	238,188	534,059	-	2,227,603	-
	\$ 1,455,356	\$ 3,013,691	\$ 1,504,243	\$ 143,011	\$ 6,116,301	\$ 342,661

**Reconciliation of Operating Income (Loss) to
to Net Cash Provided By (Used In) Operating Activities**

Operating income (loss)	\$ 1,240,337	\$ 3,364,854	\$ 216,490	\$ (3,079,896)	\$ 1,741,785	\$ (91,677)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization expense	6,252	1,616,510	63,917	352,263	2,038,942	174,227
Changes in assets and liabilities						
Receivables, net	-	(22,966)	-	3,631	(19,335)	(2,877)
Due to/due from other funds, net	-	(193)	(2,500)	553,978	551,285	(23,396)
Prepaid expenses	-	(1,813)	-	(1,130)	(2,943)	(70,600)
Inventories	-	-	-	(53,312)	(53,312)	(105,107)
Accounts payable	(1,400)	191,891	(56,216)	22,019	156,294	34,544
Accrued expenses	-	(11,914)	(115,200)	(12,133)	(139,247)	32,654
Net cash provided by (used in) operating activities	\$ <u>1,245,189</u>	\$ <u>5,136,369</u>	\$ <u>106,491</u>	\$ <u>(2,214,580)</u>	\$ <u>4,273,469</u>	\$ <u>(52,232)</u>

City of Little Rock, Arkansas
Statement of Fiduciary Net Assets
December 31, 2003

	Employee Retirement Plans	Agency Fund
Assets		
Cash and cash equivalents	\$ 5,760,246	\$ 192,708
Investments		
U. S. Government obligations	22,387,407	-
Corporate bonds	11,170,246	-
Equities	141,319,240	-
Mutual funds	2,508,552	40,499
Receivables		
Accounts receivable	96,805	-
Due from other funds	4,708,824	-
Contributions	41,113	-
Accrued interest and dividends	<u>675,087</u>	<u>-</u>
Total Assets	<u>188,667,520</u>	<u>\$ 233,207</u>
Liabilities		
Accrued liabilities	<u>114,613</u>	<u>\$ 233,207</u>
Net Assets		
Net assets held in trust for pension benefits	<u>\$ 188,552,907</u>	

City of Little Rock, Arkansas
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2003

	Employee Retirement Plans
Additions	
Contributions	
Employer	\$ 2,458,919
Plan members	1,917,141
Property taxes contributed	4,609,361
State insurance turnback and guarantee fund	4,707,821
Other	<u>376,777</u>
Total contributions	<u>14,070,019</u>
Investment income income	
Net increase in fair value of investments	25,247,390
Interest and dividends	<u>5,492,505</u>
	30,739,895
Less investment expense	<u>465,449</u>
Net investment income	<u>30,274,446</u>
Total additions	<u>44,344,465</u>
Deductions	
Benefits paid directly to participants	19,214,521
Administrative expenses	<u>197,958</u>
Total deductions	<u>19,412,479</u>
Change in Net Assets	24,931,986
Net Assets Held in Trust For Pension Benefits, Beginning of Year	<u>163,620,921</u>
Net Assets Held in Trust For Pension Benefits, End of Year	<u>\$ 188,552,907</u>

City of Little Rock, Arkansas
Statement of Net Assets
Discretely Presented Component Units
December 31, 2003

	Wastewater Utility	National Airport	Other Component Units	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 2,866,388	\$ 18,907,895	\$ 8,670,275	\$ 30,444,558
Investments	-	-	2,611,057	2,611,057
Restricted cash and investments - current	2,374,356	2,030,620	1,712,476	6,117,452
Accounts receivable, net of allowance	1,594,646	983,926	4,441,315	7,019,887
Taxes receivable, net of allowance	-	-	8,657,600	8,657,600
Inventories	1,080,205	-	593,771	1,673,976
Prepaid expenses	530,796	20,197	269,383	820,376
Other	-	5,080	714,682	719,762
	<u>8,446,391</u>	<u>21,947,718</u>	<u>27,670,559</u>	<u>58,064,668</u>
Total current assets				
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	4,166,734	11,579,278	1,234,701	16,980,713
Investments	2,048,919	2,572,656	10,380,459	15,002,034
Grants and other receivables	55,667	510,164	-	565,831
Interest receivable	10,976	4,454	69,382	84,812
	<u>6,282,296</u>	<u>14,666,552</u>	<u>11,684,542</u>	<u>32,633,390</u>
Less amounts required to meet current obligations	<u>2,374,356</u>	<u>2,030,620</u>	<u>1,712,476</u>	<u>6,117,452</u>
Total restricted assets	<u>3,907,940</u>	<u>12,635,932</u>	<u>9,972,066</u>	<u>26,515,938</u>
Capital assets				
Land	2,646,435	32,007,538	11,319,550	45,973,523
Construction in progress	17,045,717	21,550,023	7,621,102	46,216,842
Buildings, improvements and other facilities	179,371,836	226,659,367	114,917,679	520,948,882
Vehicles	-	-	21,557,103	21,557,103
Furniture and equipment	23,700,243	4,720,124	14,059,508	42,479,875
Other	-	-	3,208,758	3,208,758
	<u>222,764,231</u>	<u>284,937,052</u>	<u>172,683,700</u>	<u>680,384,983</u>
Less accumulated depreciation	<u>69,655,356</u>	<u>83,437,627</u>	<u>53,781,022</u>	<u>206,874,005</u>
Net capital assets	<u>153,108,875</u>	<u>201,499,425</u>	<u>118,902,678</u>	<u>473,510,978</u>
Other assets				
Deferred bond issue costs	700,944	781,716	232,389	1,715,049
Other assets	-	-	5,950	5,950
	<u>700,944</u>	<u>781,716</u>	<u>238,339</u>	<u>1,720,999</u>
Total other assets				
Total noncurrent assets	<u>157,717,759</u>	<u>214,917,073</u>	<u>129,113,083</u>	<u>501,747,915</u>
Total assets	<u>\$ 166,164,150</u>	<u>\$ 236,864,791</u>	<u>\$ 156,783,642</u>	<u>\$ 559,812,583</u>

See Notes to Financial Statements

	Wastewater Utility	National Airport	Other Component Units	Total
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 264,294	\$ 1,198,465	\$ 1,542,368	\$ 3,005,127
Accrued wages payable and related liabilities	-	-	829,952	829,952
Accrued compensated absences	-	-	198,817	198,817
Notes payable - current portion	-	-	126,318	126,318
Capital lease - current portion	-	1,951,546	65,154	2,016,700
Bonds payable - current portion	1,653,240	1,545,000	1,205,000	4,403,240
Deferred revenue	-	-	1,461,997	1,461,997
Accrued expenses and other	2,112,630	858,026	1,171,188	4,141,844
Total current liabilities	4,030,164	5,553,037	6,600,794	16,183,995
Noncurrent liabilities				
Capital lease obligation	-	23,188,459	1,119,146	24,307,605
Bonds payable, net of unamortized premium and discount	44,346,551	30,138,970	19,850,097	94,335,618
Compensated absences	-	-	525,537	525,537
Total noncurrent liabilities	44,346,551	53,327,429	21,494,780	119,168,760
Total liabilities	48,376,715	58,880,466	28,095,574	135,352,755
Net Assets				
Invested in capital assets, net of related debt	107,155,258	144,744,901	96,895,669	348,795,828
Restricted - expendable	6,215,950	14,666,552	12,376,182	33,258,684
Unrestricted	4,416,227	18,572,872	19,416,217	42,405,316
Total net assets	117,787,435	177,984,325	128,688,068	424,459,828
Total liabilities and net assets	\$ 166,164,150	\$ 236,864,791	\$ 156,783,642	\$ 559,812,583

City of Little Rock, Arkansas
Statement of Activities
Discretely Presented Component Units
Year Ended December 31, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Wastewater Utility	National Airport	Other Component Units	Total
Governmental Activities								
Other component units	\$ 10,978,791	\$ 245,515	\$ 1,576,070	\$ -	\$ -	\$ -	\$ (9,157,206)	\$ (9,157,206)
Total governmental activities	10,978,791	245,515	1,576,070	0	0	0	(9,157,206)	(9,157,206)
Business-type Activities								
Wastewater Utility	24,399,428	27,811,390	-	-	3,411,962	-	-	3,411,962
National Airport	18,105,396	16,293,109	-	-	-	(1,812,287)	-	(1,812,287)
Other component units	41,630,278	18,812,434	-	-	-	-	(22,817,844)	(22,817,844)
Total business-type activities	84,135,102	62,916,933	0	0	3,411,962	(1,812,287)	(22,817,844)	(21,218,169)
Total component units	\$ 95,113,893	\$ 63,162,448	\$ 1,576,070	\$ 0	3,411,962	(1,812,287)	(31,975,050)	(30,375,375)
General revenues								
General property taxes					-	-	8,752,041	8,752,041
Sales taxes					-	-	7,231,497	7,231,497
Investment income and unrealized gains (losses)					159,960	277,051	827,124	1,264,135
Grants and contributions not restricted to specific programs					3,248,525	9,017,512	13,670,535	25,936,572
Other					112,948	5,118,467	15,370,739	20,602,154
Total general revenues and transfers					3,521,433	14,413,030	45,851,936	63,786,399
Change in Net Assets					6,933,395	12,600,743	13,876,886	33,411,024
Net Assets, Beginning of Year					110,854,040	165,383,582	114,811,182	391,048,804
Net Assets, End of Year				\$	117,787,435	\$ 177,984,325	\$ 128,688,068	\$ 424,459,828

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The City of Little Rock, Arkansas (the “City”), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under a city manager form of government. Ten elected directors and the Mayor set policy and employ the City Manager. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). Enterprise funds and similar component units also apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The following is a summary of the significant accounting and reporting policies of the City:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the City of Little Rock, Arkansas and its component units. The component units are legally separate entities for which the City is considered to be financially accountable. Accountability is defined as the City’s substantive appointment of the majority of the component unit’s governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. These component units are further distinguished between *Blended Component Units*, presented as part of the primary government, and *Discretely Presented Component Units*, presented separately.

The City’s defined benefit, defined contribution and other employee benefit plans, being fiduciary in nature, were not evaluated as potential component units but instead are reported as fiduciary funds.

The City’s primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under this criteria, the following are included in the primary government reporting entity:

Blended Component Units

Community Development Block Grant Fund (“CDBG”) – The City Board of Directors acts as the governing body of the CDBG fund. CDBG resources are used primarily for street improvements, housing programs, and various community services that benefit the City.

Welfare to Work (“WTW”) – The City Board of Directors acts as the governing body of the WTW Fund. WTW resources are used to assist in providing work in exchange for time-limited assistance and provide support for families moving from welfare to work.

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

Waste Disposal Revenue Fund (“Waste Disposal”) - Waste Disposal is a legally separate fund which has the same governing body as the City. The City has the power to impose its will on Waste Disposal and has a financial benefit or burden relationship with Waste Disposal. Waste Disposal primarily serves the City’s solid waste disposal requirements.

Discretely Presented Component Units

Major Component Units:

Little Rock Wastewater Utility (“LRWWU”) – The City Manager appoints the governing body of LRWWU with City Board approval. LRWWU receives no financial benefit from the City and provides water treatment services primarily to the citizens of Little Rock; however, the City has the power to impose its will on the LRWWU.

Little Rock National Airport (“Airport”) – The Airport is controlled by a five-member commission appointed by the City Manager with City Board approval. The City has the power to impose its will on the Airport. The Airport primarily serves the Central Arkansas area.

There were no significant transactions between the major component units and the City or its other component units in 2003.

Other Component Units:

Little Rock Advertising and Promotion Commission (“Commission”) – The governing body of the Commission is appointed by the Mayor of Little Rock subject to City Board approval. The City has the power to impose its will on the Commission. The Commission acts autonomously and serves as the sales and advertising office for the City’s convention and tourism industry and oversees the Little Rock Convention and Visitors Bureau.

Little Rock Port Authority (“LRPA”) – The governing board of the LRPA is appointed by the City Manager with City Board approval. The City has the power to impose its will on the LRPA. LRPA independently operates the Port of Little Rock which includes railroad and riverport loading facilities and a foreign trade zone.

Little Rock Ambulance Authority (“LRAA”) – The LRAA, known publicly as Metropolitan Emergency Medical Services (“MEMS”), has a governing body of eight members, five of whom are appointed by the City Board. The City Board must also approve any rate changes for LRAA. LRAA provides emergency medical transportation services to the greater metropolitan area.

Central Arkansas Transit Authority (“CATA”) – CATA, which provides public transportation services to the greater metropolitan area, annually receives an operating subsidy from the City equal to 65 percent of the operating deficit. The City’s contributions to CATA are vital to its operations. In addition, five of the 13 members of its Board of Directors are appointed by the City Board.

Arkansas Museum of Discovery (“Museum”) and Arkansas Arts Center (“Arts Center”) – The Museum and the Arts Center, serving the greater metropolitan area’s cultural needs, receive significant operating subsidies from the City annually. The governing body of the Museum and the Arts Center are appointed with City Board approval. The City has the power to impose its will on both organizations. Additionally, the City owns the facility of the Arts Center.

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Central Arkansas Library System (“CAL S”) – CAL S, providing Central Arkansas with library services, receives financial benefit from the City in the form of tax revenue, levied by the City but collected by the Library, and other nonoperating subsidies. In addition, six of the nine members of its Board of Trustees are appointed by the City Board.

Oakland Fraternal Cemetery (“Cemetery”) – The land which is occupied by the Cemetery is owned by the City. The governing board of the Cemetery is appointed by the City Board allowing the City’s will to be imposed on day-to-day operating decisions. In addition, the Cemetery operates the Perpetual Care Fund to invest moneys to be used for the future operations and maintenance of the Cemetery. The governing body of the Perpetual Care Fund is composed of three trustees, all of which are appointed by the Cemetery Board.

Little Rock Workforce Investment Board (“LRWIB”) – LRWIB is a non-profit organization created to provide job training. The sitting Mayor of the City of Little Rock serves as the chief executive officer and appoints the board members. The City has the power to impose its will on the Board.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

Little Rock Wastewater Utility
221 East Capitol Avenue
Little Rock, Arkansas 72202

Arkansas Arts Center
Ninth and Commerce
Little Rock, Arkansas 72202

Little Rock Advertising and Promotion Commission
7 Statehouse Plaza
Little Rock, Arkansas 72201

Little Rock Port Authority
7500 Lindsey Road
Little Rock, Arkansas 72206

Little Rock Ambulance Authority
1101 West 8th Street
Little Rock, Arkansas 72201

Central Arkansas Transit Authority
901 North Maple
North Little Rock, Arkansas 72114

Little Rock National Airport
1 Airport Drive
Little Rock, Arkansas 72202

Central Arkansas Library System
100 Rock Street
Little Rock, Arkansas 72201

Arkansas Museum of Discovery
500 President Clinton Avenue, Suite 150
Little Rock, Arkansas 72201

Oakland Fraternal Cemetery
2101 Barber Avenue
Little Rock, Arkansas 72206

Little Rock Workforce Investment Board
300 So. University Avenue, Suite D14
Little Rock, Arkansas 72205-5209

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that can not be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *2004 Capital Improvement fund* (debt service fund) accounts for the resources accumulated and payments made for principal and interest on the \$70,465,000 limited tax general obligation debt of the City.

The government reports the following major proprietary funds:

The *Presidential Park Fund* accounts for the activities for the site of the William J. Clinton Presidential Library.

The *Waste Disposal fund*, a blended component unit of the City, accounts for the activities of the City's waste disposal operations.

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

The River Market Garage fund accounts for the operations of the City's two downtown parking garages.

Special Revenue Funds – The special revenue funds, which include federal and state grants, are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes.

Debt Service Funds – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by enterprise funds.

Internal Service Fund – The internal service fund is used to account for centralized services provided to City departments on a cost-reimbursement basis. The City's internal service fund consists of the Fleet Service Fund.

Enterprise Funds – The enterprise funds are used to account for the, the various Parks and Recreation Services Funds (zoo, golf courses, concession services, fitness center and impound services), and Riverfront park whose operations are financed primarily or partially through user charges.

Pension Trust Funds – Accounts for assets held in trust for the Policemen's Pension and Relief Fund, Firemen's Pension and Relief Fund, Municipal Judges' Retirement Fund, Nonuniformed Employees' Defined Contribution Plan, and Nonuniformed Employees' Defined Benefit Pension Plan. Plan trustees must act in accordance with the specific purposes and terms of these retirement plans.

Agency Fund – Accounts for monies collected and held by the courts until they are disbursed to various governmental agencies.

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements, and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements, and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for worker's compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, cash on hand, certificates of deposit and short-term instruments with original maturities at purchase of 90 days or less. The City uses a pooled cash account for operating purposes in which all funds, except the pension trust and agency funds, have an interest.

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

Investments and Investment Income

All investments in the City's Pension Trust Funds are carried at fair value. For all other funds, investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices for all investments carried at fair value other than collateralized mortgage obligations. Fair value of collateralized mortgage obligations is estimated using a published pricing service.

Investment income includes dividend and interest income, and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund from which the investments were made, except where required otherwise by bond indentures or City policy.

Inventories

Inventories consist of supplies, merchandise and renovated housing available-for-sale (funded by grant programs) valued at the lower of average cost or market value. The costs of governmental fund type inventories are recorded as expenditures when purchased/constructed.

Capital Assets

Capital assets, which include infrastructure assets constructed in fiscal year 2002 and later are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The City has elected to defer recognition of infrastructure constructed or donated prior to fiscal year 2002.

Machinery and equipment are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets which are defined as having a constructed cost greater than \$250,000.

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 15 – 50 years for infrastructure, 10 – 75 years for buildings and 3 – 25 years for land improvements, machinery and equipment.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred losses on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

the applicable debt premium or discount. Debt issuance costs are deferred and amortized over the life of the related debt using the straight-line method.

In the fund financial statements, governmental fund types recognized debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Compensated Absences

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. All sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements.

Net Assets/Fund Balance

Net assets are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use unrestricted resources first. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are used first.

Future Adoption of Accounting Pronouncements

The GASB has issued the following statements which the City has not yet adopted and which require adoption subsequent to December 31, 2003:

Statement No.		Adoption Required in Fiscal Year
39	Determining Whether Certain Organizations are Component Units	2004
40	Deposits and Investment Risk Disclosures	2005
42	Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries	2005

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Note 2: Deposits and Investments

Deposits

Deposits at December 31, 2003, are summarized as follows:

	Primary Government	Discrete Component Units
Carrying value of deposits	\$ <u>13,182,259</u>	\$ <u>48,618,811</u>
Bank balance of deposits	\$ <u>15,964,559</u>	\$ <u>49,741,919</u>
Bank balance by custodial credit risk category:		
Amount insured or collateralized with securities held by the City or its agent in the City's name	\$ 400,000	\$ 14,941,616
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the City's name	11,929,054	29,896,549
Uncollateralized, or collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the City's name	<u>3,635,505</u>	<u>4,903,754</u>
	\$ <u>15,964,559</u>	\$ <u>49,741,919</u>

City statute requires that deposits in financial institutions be collateralized with federal depository insurance and bonds or other interest-bearing securities of the United States, the state of Arkansas, Arkansas political subdivisions or agencies or instrumentalities of these entities at 104 percent. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

The following schedule reconciles the reported amount of deposits as disclosed above to the government-wide and fiduciary statements of net assets:

City of Little Rock, Arkansas
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	Primary Government	Discrete Component Units
Reported amount of deposits	\$ 13,182,259	\$ 48,618,811
Cash on hand	62,439	10,658
Deposits classified as investments	(5,500,000)	(1,204,198)
Investments classified as cash equivalents	<u>17,928,935</u>	<u>—</u>
	<u>\$ 25,673,633</u>	<u>\$ 47,425,271</u>
Cash and cash equivalents as reported on the government-wide statement of net assets	\$ 19,720,679	\$ 47,425,271
Cash and cash equivalents as reported on the statement of fiduciary net assets	<u>5,952,954</u>	<u>—</u>
	<u>\$ 25,673,633</u>	<u>\$ 47,425,271</u>

Investments

Arkansas statutes authorize the City to invest in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured, or covered by commitments or agreements to purchase by the U.S. Government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. Government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. Government, any U.S. State or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. Government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the City to invest no more than 20 percent of its capital base in corporate debt obligations; revenue bond issues of any U.S. State, municipality, or political subdivision; industrial development bonds for corporate obligors issued through any U.S. State or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the Investment Company Act of 1940 with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings, or time deposits or accounts of any depository institution chartered by the United States, any U.S. State, or the District of Columbia. The pension trust funds are authorized to also invest in common stocks, investment grade corporate bonds, and other appropriate securities.

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

The City's investments at December 31, 2003, are categorized below to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or by its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department in other than the City's name, by the broker/dealer, by the dealer bank, or by another bank that is a subsidiary of the same holding company as the dealer bank. The City's investments in mutual funds and common trust and collective investment funds are not classified by custodial credit risk category as they are not evidenced by securities that exist in physical or book entry form. Investments of the Primary Government at December 31, 2003 consisted of:

	Category				
Investment Type	1	2	3	Carrying Value	Fair Value
Categorized:					
U.S. Government and agency obligations	\$ 5,597,467	\$ 22,387,407	\$ —	\$ 27,984,874	\$ 27,984,874
Corporate stocks	—	141,319,240	—	141,319,240	141,319,240
Corporate debt obligations	—	11,170,246	—	11,170,246	11,170,246
Mortgage-backed securities	<u>36,534,098</u>	<u>—</u>	<u>—</u>	<u>36,534,098</u>	<u>36,534,098</u>
Total Investments Categorized	<u>\$ 42,131,565</u>	<u>\$ 174,876,893</u>	<u>\$ 0</u>	217,008,458	217,008,458
Uncategorized:					
Mutual funds				13,887,031	13,887,031
Common trust and collective investment funds				<u>6,550,519</u>	<u>6,550,519</u>
Total				<u>\$ 237,446,008</u>	<u>\$ 237,446,008</u>

The following schedule reconciles the carrying amount of investments as disclosed above to the government-wide and fiduciary statements of net assets:

Carrying value of investments	\$ 237,446,008
Deposits classified as investments	5,500,000
Investments classified as cash equivalents	<u>(17,928,935)</u>
	<u>\$ 225,017,073</u>
Investments as reported on the government-wide statement of net assets	47,591,129
Investments as reported on the fiduciary statement of net assets	<u>177,425,944</u>
	<u>\$ 225,017,073</u>

City of Little Rock, Arkansas
Notes to Financial Statements
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As of December 31, 2003 the City's investment portfolio included mortgage-backed securities guaranteed as to principal by the United States government of approximately \$36.5 million, at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in market value. Although the City will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new financing at a lower interest rate. In addition to changes in interest rates, mortgage loan prepayments depend on factors such as loan types and geographic locations of the related properties.

Investments for the Discrete Component Units at December 31, 2003, consisted of:

	Category				
Investment Type	1	2	3	Carrying Value	Fair Value
Categorized:					
U.S. Government and agency obligations	\$ 7,967,897	\$ 2,572,656	\$ —	\$ 10,540,553	\$ 10,540,553
Corporate bonds	260,373	—	—	260,373	260,373
Corporate stocks	167,791	—	—	167,791	167,791
Mortgage-backed securities	<u>100,000</u>	<u>—</u>	<u>—</u>	<u>100,000</u>	<u>100,000</u>
Total Investments					
Categorized	<u>\$ 8,496,061</u>	<u>\$ 2,572,656</u>	<u>\$ 0</u>	11,068,717	11,068,717
Uncategorized:					
Guaranteed investment contracts				2,433,438	2,433,438
Mutual funds				<u>2,906,738</u>	<u>2,906,738</u>
Total				<u>\$ 16,408,893</u>	<u>\$ 16,408,893</u>

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

The following schedule reconciles the carrying amount of investments as disclosed above to the government-wide statement of net assets:

	Component Units
Carrying value of investments	\$ 16,408,893
Deposits classified as investments	<u>1,204,198</u>
Investments as reported on the statement of net assets	<u>\$ 17,613,091</u>

Note 3: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2003 is presented below:

Governmental Activities	Balance, December 31, 2002	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2003
Capital Assets, non-depreciable				
Land	\$ 13,499,320	\$ 64,900	\$ 515,512	\$ 13,048,708
Construction in progress	<u>3,216,049</u>	<u>7,705,670</u>	<u>463,070</u>	<u>10,458,649</u>
Total capital assets, non-depreciable	<u>16,715,369</u>	<u>7,770,570</u>	<u>978,582</u>	<u>23,507,357</u>
Capital Assets, depreciable				
Land Improvements	672,277	548,946	—	1,221,223
Infrastructure	12,734,755	11,407,647	658,544	23,483,858
Buildings	42,580,440	311,763	247,384	42,644,819
Vehicles	29,629,997	4,119,890	2,780,745	30,969,142
Equipment	<u>13,073,548</u>	<u>1,366,626</u>	<u>309,616</u>	<u>14,130,558</u>
Total capital assets, depreciable	<u>98,691,017</u>	<u>17,754,872</u>	<u>3,996,289</u>	<u>112,449,600</u>
Less accumulated depreciation				
Land Improvements	19,492	34,714	—	54,206
Infrastructure	265,295	855,723	—	1,121,018
Buildings	11,191,398	911,844	65,729	12,037,513
Vehicles	16,734,015	2,431,828	1,936,540	17,229,303
Equipment	<u>8,657,729</u>	<u>1,338,170</u>	<u>222,271</u>	<u>9,773,628</u>
Total accumulated depreciation	<u>36,867,929</u>	<u>5,572,279</u>	<u>2,224,540</u>	<u>40,215,668</u>
Total governmental activities, net	<u>\$ 78,538,457</u>	<u>\$ 19,953,163</u>	<u>\$ 2,750,331</u>	<u>\$ 95,741,289</u>

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Business-type Activities	Balance December 31, 2002	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2003
Capital Assets, non-depreciable				
Land	\$ 19,128,918	\$ 822,652	\$ —	\$ 19,951,570
Construction in progress	<u>3,623,718</u>	<u>1,442,478</u>	<u>3,574,002</u>	<u>1,492,194</u>
Total capital assets, non-depreciable	<u>22,752,636</u>	<u>2,265,130</u>	<u>3,574,002</u>	<u>21,443,764</u>
Capital Assets, depreciable				
Landfills, Cells 1, 2 and 4	7,227,703	3,667,998	—	10,895,701
Buildings	24,260,162	42,623	—	24,302,785
Vehicles	10,383,408	841,329	1,304,973	9,919,764
Equipment	<u>4,093,162</u>	<u>75,526</u>	<u>237,358</u>	<u>3,931,330</u>
Total capital assets, depreciable	<u>45,964,435</u>	<u>4,627,476</u>	<u>1,542,331</u>	<u>49,049,580</u>
Less accumulated depreciation				
Landfills, Cells 1, 2 and 4	7,910,741	297,608	—	8,208,349
Buildings	2,123,426	398,984	—	2,522,410
Vehicles	6,610,079	888,044	1,376,427	6,121,696
Equipment	<u>2,049,646</u>	<u>425,649</u>	<u>7,540</u>	<u>2,467,755</u>
Total accumulated depreciation	<u>18,693,892</u>	<u>2,010,285</u>	<u>1,383,967</u>	<u>19,320,210</u>
Total business-type activities, net	<u>\$ 50,023,179</u>	<u>\$ 4,882,321</u>	<u>\$ 3,732,366</u>	<u>\$ 51,173,134</u>
Component Units	Balance December 31, 2002	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2003
Capital Assets, non-depreciable				
Land	\$ 45,852,160	\$ 174,861	\$ 53,498	\$ 45,973,523
Construction in progress	<u>51,831,602</u>	<u>26,905,081</u>	<u>32,519,841</u>	<u>46,216,842</u>
Total capital assets, non-depreciable	<u>97,683,762</u>	<u>27,079,942</u>	<u>32,573,339</u>	<u>92,190,365</u>
Capital Assets, depreciable				
Buildings, improvements and facilities	477,699,270	43,345,037	95,425	520,948,882
Vehicles	16,229,140	5,966,518	638,555	21,557,103
Equipment	<u>46,950,622</u>	<u>2,775,278</u>	<u>4,037,267</u>	<u>45,688,633</u>
Total capital assets, depreciable	<u>540,879,032</u>	<u>52,086,833</u>	<u>4,771,247</u>	<u>588,194,618</u>
Less accumulated depreciation	<u>190,712,181</u>	<u>18,043,366</u>	<u>1,881,542</u>	<u>206,874,005</u>
Total component units, net	<u>\$ 447,850,613</u>	<u>\$ 61,123,409</u>	<u>\$ 35,463,044</u>	<u>\$ 473,510,978</u>

City of Little Rock, Arkansas
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	
Mayor and Board of Directors	\$ 103,318
City manager	963
Community programs	3,255
City attorney	3,928
Cable TV	8,242
District court – first division (criminal)	25,855
District court – second division (traffic)	660
District court – third division (environment)	1,305
Finance	42,410
Human resource	10,898
Information technology	413,561
Planning and development	<u>41,700</u>
Total general government	656,095
Public works	1,812,698
Parks and recreation services	626,048
Fire	826,841
Police	1,552,854
Housing and neighborhood programs	<u>97,743</u>
Total depreciation expense – governmental activities	<u>5,572,279</u>

Business-type activities

Presidential park	145
Waste disposal	1,610,867
Second and main parking	47,010
Riverfront park	81,924
Zoo	108,767
Impound services	10,180
Golf courses	54,093
Fitness center	95,373
Concessions services	<u>1,926</u>
Total depreciation expense - business-type activities	<u>2,010,285</u>
Total depreciation expense - primary government	<u>\$ 7,582,564</u>

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended December 31, 2003, were as follows:

Governmental Activities	Balance, December 31, 2002	Increases	Decreases	Balance December 31, 2003	Amounts Due in One Year
Bonds payable					
General obligation revenue bonds	\$ 20,710,000	\$ —	\$ 835,000	\$ 19,875,000	\$ 900,000
Less deferred issuance discounts	114,668	—	6,745	107,923	—
Add issuance premiums	<u>4,486</u>	<u>—</u>	<u>299</u>	<u>4,187</u>	<u>—</u>
	<u>20,599,818</u>	<u>—</u>	<u>828,554</u>	<u>19,771,264</u>	<u>900,000</u>
General obligation bonds	27,915,000	—	8,825,000	19,090,000	6,650,000
Less deferred issuance discounts	585,462	—	48,788	536,674	—
Add issuance premiums	<u>31,953</u>	<u>—</u>	<u>9,636</u>	<u>22,317</u>	<u>—</u>
	<u>27,361,491</u>	<u>0</u>	<u>8,785,848</u>	<u>18,575,643</u>	<u>6,650,000</u>
Bonds payable, net	47,961,309	0	9,614,402	38,346,907	7,550,000
Notes payable	8,560,094	4,250,000	1,406,735	11,403,359	3,308,977
Capital lease payable	640,000	—	160,000	480,000	160,000
Compensated absences	12,787,750	8,768,903	6,689,259	14,867,394	4,849,913
Net pension obligation	27,447,120	4,305,987	—	31,753,107	—
Workers' compensation	<u>833,751</u>	<u>630,328</u>	<u>436,484</u>	<u>1,027,595</u>	<u>326,764</u>
Total governmental activities long-term liabilities	<u>\$ 98,230,024</u>	<u>\$ 17,955,218</u>	<u>\$ 18,306,880</u>	<u>\$ 97,878,362</u>	<u>\$ 16,195,654</u>
Business-type Activities					
Bonds payable					
Revenue bonds	\$ 45,170,000	\$ 11,855,000	\$ 4,855,000	\$ 52,170,000	\$ 2,460,000
Less deferred issuance discounts	1,782,996	694,365	195,584	2,281,777	—
Add issuance premiums	<u>1,267,489</u>	<u>—</u>	<u>95,548</u>	<u>1,171,941</u>	<u>—</u>
Bonds payable, net	44,654,493	11,160,635	4,754,964	51,060,164	2,460,000
Compensated absences	741,449	433,029	416,461	758,017	366,980
Post-closure landfill costs	<u>2,491,852</u>	<u>—</u>	<u>54,881</u>	<u>2,436,971</u>	<u>529,931</u>
Total business-type activities long-term liabilities	<u>\$ 47,887,794</u>	<u>\$ 11,593,664</u>	<u>\$ 5,226,306</u>	<u>\$ 54,255,152</u>	<u>\$ 3,356,911</u>

City of Little Rock, Arkansas
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Component Units	Balance, December 31, 2002	Increases	Decreases	Balance December 31, 2003	Amounts Due in One Year
Little Rock Advertising and Promotion Commission					
Bonds payable					
Revenue bonds	\$ 20,135,000	\$ 3,710,000	\$ 4,625,000	\$ 19,220,000	\$ 1,205,000
Add issuance premiums	<u>1,912,235</u>	<u>28,798</u>	<u>105,936</u>	<u>1,835,097</u>	<u>—</u>
	<u>22,047,235</u>	<u>3,738,798</u>	<u>4,730,936</u>	<u>21,055,097</u>	<u>1,205,000</u>
Central Arkansas Library					
Capital lease	—	1,200,000	15,700	1,184,300	65,154
Compensated absences	<u>471,916</u>	<u>492,872</u>	<u>439,251</u>	<u>525,537</u>	<u>—</u>
	<u>471,916</u>	<u>1,692,872</u>	<u>454,951</u>	<u>1,709,837</u>	<u>65,154</u>
National Airport					
Bonds payable					
Revenue bonds	33,585,000	7,060,000	8,735,000	31,910,000	1,545,000
Add issuance premiums	—	417,990	26,569	391,421	—
Less deferred issuance discounts	<u>351,692</u>	<u>423,599</u>	<u>157,840</u>	<u>617,451</u>	<u>—</u>
	33,233,308	7,054,391	8,603,729	31,683,970	1,545,000
Capital lease	<u>27,091,551</u>	<u>—</u>	<u>1,951,546</u>	<u>25,140,005</u>	<u>1,951,546</u>
	<u>60,324,859</u>	<u>7,054,391</u>	<u>10,555,275</u>	<u>56,823,975</u>	<u>3,496,546</u>
Wastewater Utility					
Bonds payable					
Revenue bonds	<u>47,594,408</u>	<u>—</u>	<u>1,594,617</u>	<u>45,999,791</u>	<u>1,653,240</u>
Total component units long-term liabilities	<u>\$ 130,438,418</u>	<u>\$ 12,486,061</u>	<u>\$ 17,335,779</u>	<u>\$ 125,588,700</u>	<u>\$ 6,419,940</u>

Bonds and notes payable at December 31, 2003 were as follows:

Primary Government	Interest Rates	Final Maturity	Original Issue	Total Outstanding
General long-term obligations				
Bonds payable	3.2%–4.7 %	2019	\$ 61,940,000	\$ 19,090,000
Notes payable – short-term financing	2.95% - 3.85%	2008	\$ 9,890,000	\$ 8,593,359
Notes payable – Section 108 loans	Variable	2013	\$ 3,870,000	\$ 2,810,000
Enterprise funds				
Revenue bonds	4.8% - 5.8%	2028	\$ 55,590,000	\$ 52,170,000
Component Units	2% - 7.375%	2022	\$ 116,675,000	\$ 97,129,791

City of Little Rock, Arkansas
Notes to Financial Statements
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Governmental Activities

General Obligation Bonds:

2002 Capital Improvement Junior Lien Revenue Bonds – The \$3,630,000 of bonds were issued to finance the improvements of infrastructure, the costs of issuance and to fund the debt service reserve. The Series 2002 bonds are special obligation bonds of the City, payable solely from the franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City. Principal payments are due annually on October 1 with final payment scheduled in 2018. Interest payments are due semiannually on April 1 and October 1. Bonds maturing on or after October 1, 2012 are subject to optional redemption at the direction of the City. Extraordinary redemption may occur in the event that excess proceeds exist.

2002 Library Improvement Bonds - The \$9,500,000 of bonds were issued to finance the cost of acquiring, constructing and equipping capital improvements to the public city libraries operated by the City and the Central Arkansas Library System. The Series 2002 bonds are limited obligations of the City, payable solely from the Library Tax and the pro rata portion of the proceeds of a Sales and Use Tax pursuant to Arkansas Act 1492 of 1999 (“Debt Service Supplement”). The City has covenanted that the Library Tax will be levied and collected annually and that it and the Debt Service Supplement will be pledged as security for the Series 2002 Bonds until all of the outstanding Series 2002 Bonds and any parity bonds together with interest thereon and related costs and fees have been paid in full. The Series 2002 Bonds are part of an authorized issue not to exceed \$19,500,000 approved by the voters of the City at the November 3, 1998 general election. The City previously issued \$8,175,000 Library Improvement and Refunding Bonds, Series 1999B which are on a parity of security with the Series 2002 Bonds. Principal payments are due annually on March 1 with final payment scheduled in 2013. Interest payments are due semiannually on March 1 and September 1. Bonds maturing on or after March 1, 2008 are subject to optional redemption if the Series 1999B Bonds have been fully paid. Mandatory redemption may occur in the event that excess proceeds exist or if surplus collections exist and the Series 1999B bonds have been paid in full.

2001 Limited Tax General Obligation Refunding – Series 2001 – The \$20,635,000 of bonds were issued to refund the Capital Improvement Refunding Bonds, Series 1995A, and Capital Improvement Bonds, Series 1995B, and to pay the costs of issuance of the Bonds. These bonds are limited tax general obligations secured by the full faith, credit, and resources of the City, including specifically all proceeds derived from a 3.3 mill ad valorem tax on each dollar of assessed valuation of real and personal property located within the City. The tax will be a continuing annual levy until sufficient monies are accumulated to retire the Series 2001 Bonds. Until retirement of the 2002 Bonds, the proceeds of the tax cannot be used for any purposes other than the payment of debt service on the bonds, payment of agent’s fees, and payment of costs of improvements in an amount equal to six months of capitalized interest on the bonds. Principal payments are due

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annually on April 1. Interest payments are due semiannually on April 1 and October 1. The bonds are subject to mandatory redemption, in whole or in part, on any April 1 from Surplus Tax Receipts, upon payment of a redemption price to 100 percent of principal amount of bonds to be redeemed plus interest accrued to the redemption price.

1998 Street and Drainage Revenue Bonds - Series A - The \$19,000,000 original issue Capital Improvement Revenue Bonds (Infrastructure Improvements) - Series 1998A, were issued for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing certain street, sidewalk, curb, gutter, drainage, and other related infrastructure improvements of the City, including payment of a portion of the interest on the Series 1998A Bonds during the construction period. The Series 1998A Bonds are special obligations of the City, payable solely from revenues received by the City from all franchise fees charged to public utilities for the privilege of using the city streets and right-of-way and from funds pledged under the bond indenture. These bonds are subject to redemption in part by sinking fund installments due annually on October 1. Bonds maturing on or after October 1, 2009 are subject to optional redemption at the direction of the City beginning October 1, 2008. Extraordinary redemption may occur in the event that excess proceeds exist.

1999 Library Improvement and Refunding Bonds - Series B - The original *1999 Library Improvement and Refunding Bonds* were issued in two series -*Series A* of \$825,000 and *Series B* of \$9,175,000. The Series A Bonds were issued for the refunding of the City's Library Construction and Improvement Bonds dated March 1, 1994. The Series B Bonds were issued to finance the cost of acquiring, constructing and equipping capital improvements to the public city libraries (the "Improvements") operated by the City and the Central Arkansas Library System. The Series 1999 Bonds are limited tax obligations of the City, payable solely from a special tax levied upon all taxable real and personal property located within the City (the "Library Tax"). The City has covenanted that the Library Tax will be levied and collected annually until all of the outstanding Series 1999 Bonds and any parity bonds together with interest thereon and related costs and fees have been paid in full. The series 1999 Bonds are part of an authorized issue of not to exceed \$19,500,000 approved by voters of the City at the November 3, 1998 general election.

Notes Payable

In 2001, the State of Arkansas passed Amendment No. 78 and Act No. 1808, allowing cities and counties to obtain short-term financing agreements for the purpose of acquiring, constructing, installing or renting real property or tangible personal property having an expected useful life of more than one year. These financing agreements may not mature over a period to exceed five years and may have fixed or variable interest rates to be repaid with general revenues. At December 31, 2003, the following short-term financing agreements were:

2003 Short-term financing note – The \$4,250,000 promissory note was issued to finance the cost of acquiring equipment and vehicles for the City with principal and interest payable from general revenues. Due annually, payable \$926,682, on June 18, including interest at 2.95%.

City of Little Rock, Arkansas

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2002 Short-term financing note – The \$4,370,000 promissory note was issued to finance the cost of acquiring and installing equipment and vehicles and constructing properties for the City with principal and interest payable from general revenues. Due annually, payable \$988,488, on September 25, including interest at 3.85%.

2001 Short-term financing note – The \$1,270,000 promissory note was issued to finance the cost of acquiring equipment and vehicles for the City with principal and interest payable from general revenues. Due annually, payable \$276,306 on December 1, including interest at 3.08%.

The City also has entered into three loan guarantee commitments with the U.S. Department of Housing and Urban Development (HUD) for the purpose of acquiring, constructing or installing real property to be repaid with Community Development Block Grant (CDBG) funds or related program income. These notes payable with HUD at December 31, 2003 were as follows:

Section 108 Loan – Nathaniel W. Hill property (the "property") – This \$1,800,000 promissory note was issued to construct and improve the property. Increasing principal payments due annually on August 1, with interest payments due semi-annually on August 1 and February 1, at a variable interest rate secured by the property.

Section 108 Loan – Kramer School (the "school") – This \$830,000 promissory note was issued to construct and improve the school. Increasing principal payments due annually on August 1, with interest payments due semi-annually on August 1 and February 1, at a variable interest rate secured by the school and pledged CDBG funds.

Section 108 Loan – Infrastructure – This \$1,240,000 promissory note was issued to construct and improve infrastructure capital assets. Increasing principal payments due annually on August 1, with interest payments due semi-annually on August 1 and February 1, at a variable interest rate secured by pledged CDBG funds.

Capital Lease

The City has entered into the following capital lease for office space.

Timex Building – This lease has an option to purchase the building at the termination of the lease on January 15, 2006, unless extended by the parties in writing. Until that time rent payments of \$160,000, are due annually on January 15 together with interest payments at a rate of 5.9%.

Business-type Activities

Revenue Bonds - Revenue bonds are comprised of various issues for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing additions and improvements of City facilities.

2003 Capital Improvement and Refunding Revenue Bonds (Downtown Parking Projects) – On July 1, 2003, the City issued \$11,855,000 in 2003 Capital Improvement Revenue Bonds (Downtown Parking Projects) with an interest rate ranging from 4.8% to 5.4%. The bonds were issued to finance the construction of a new parking deck and advance refund the 1997 Capital Revenue Bonds (Second and Main Street Project) – Series 1997 previously used to construct a parking deck. The bonds constitute special obligations of the City, payable solely from the revenues of the two parking decks, together with all other parking revenues of the City that were

City of Little Rock, Arkansas
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not previously pledged by the City. Interest payments are due semiannually each January 1 and July 1. These bonds are subject to redemption in part by sinking fund installments due on July 1. These bonds are also subject to optional redemption at direction of the City beginning July 1, 2013. Extraordinary redemption may occur in the event that excess project funds exist.

With this issue, \$2,180,000 in outstanding 1997 Capital Improvement Revenue Bonds were advance refunded. With the advance refund, the City increased its total debt service payments over the next 25 years by approximately \$212,000, and obtained an economic loss (the difference between the present values of the old and new debt service payments) of \$121,461.

1998 Parks and Recreation Bonds - Series A - The \$16,405,000 original issue *Capital Improvement Revenue Bonds - Series 1998A* were issued for the purpose of acquiring, constructing, equipping, renovating, expanding, and refurbishing certain parks and recreation facilities of the City, including payment of a portion of the interest on the Series 1998A Bonds during the construction period. The bonds are payable solely from gross revenues derived from the City's parks and recreation facilities and certain monies pledged under a Master and Supplement Indenture. The bonds are subject to redemption in part by sinking fund installments due annually on January 1, beginning in 2002; term bonds are due January 1, 2018 and 2023. Interest is due semiannually on January 1 and July 1. The bonds are subject to redemption at the option of the City beginning January 1, 2008.

Waste Disposal Revenue Bonds - Series 2002 - The \$27,330,000 of bonds were issued to finance all or a portion of the costs of betterments and improvements to the waste disposal system, refund the Waste Disposal Revenue Bonds – Series 1993 and 1995, fund a debt service reserve and pay expenses of issuing the Bonds. The Series 2002 Bonds are special obligations secured by the pledge of and payable from the net revenues derived from the operations of the City's waste collection and disposal system. Principal payments are due annually on May 1 with final payment scheduled in 2016. Interest payments are due semiannually on May 1 and November 1. Bonds maturing on or after May 1, 2010 are subject to optional redemption at the direction of the City. Bonds maturing on May 1, 2016 are subject to mandatory sinking fund redemption beginning as of May 1, 2014 at the direction of the Trustee.

On September 1, 2002, the City issued \$27,330,000 in Waste Disposal Refunding and Improvement Revenue Bonds Series 2002 with an average interest rate of 4.5 percent to current refund \$11,985,000 of outstanding Waste Disposal Revenue Bonds – Series 1993 and advance refund \$9,480,000 of outstanding Waste Disposal Revenue Bonds – Series 1995 (which will be defeased and redeemed on May 1, 2005 at 100 percent) with an average interest rate of 5.6 and 5.7 percent, respectively. The proceeds from the new issue plus an additional \$2,400,000 of debt service reserve funds and \$1,300,000 of reoffering premium were used to refund the Series 1993 and 1995 Bonds in full.

The City current refunded the Series 1993 Bonds and advance refunded the Series 1995 Bonds to reduce its total debt service payments over the next 14 years by approximately \$1,700,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,176,171.

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Discretely Presented Component Units

Wastewater Utility Revenue Bonds

These bonds are secured by Wastewater Utility revenues. These bond funds consist of cash and investments and are classified as unrestricted or restricted assets in the accompanying combined balance sheet based on the intended use of the funds.

The *1990, 1991, and 1996 Series Sewer Revenue* are part of \$7,000,000, \$6,000,000, and \$6,000,000 bond issues, respectively. The *1999 Series Sewer Revenue Bonds* are a \$12,000,000 series and are subordinate to all previous bond issues. The *2001 Series Sewer Revenue Bonds* (original issue of \$22,680,000) were issued to finance the cost of constructing betterments and improvements to the City's sewer system and refunding the City's Sewer Refunding and Construction Revenue Bonds, Series 1993.

National Airport

Revenue Bonds

Special Obligation Bonds dated October 1, 1994 - The \$4,935,000 *Special Obligation Bonds dated October 1, 1994*, were issued to redeem outstanding bonds from the \$7,000,000 City of Little Rock, Arkansas Municipal Airport Revenue Refunding Bonds, Series 1984.

Special Obligation Bonds dated September 1, 1995 - The \$5,300,000 *Special Obligation Bonds dated September 1, 1995*, were issued to redeem outstanding bonds from the \$7,000,000 City of Little Rock, Arkansas, Municipal Airport Refunding Bonds, Series 1985.

As more fully described below, special obligation bonds dated July 1, 2003, were issued to current refund on July 15, 2003, the outstanding balance of \$3,540,000 of the Series 1994 bonds and advance refund on November 1, 2003, the outstanding balance of \$4,020,000 of the 1995 Series Bonds.

Special Obligation Bonds dated September 1, 1999 - The \$27,860,000 *Special Obligation Bonds dated September 1, 1999*, were issued in two series: Series A of \$24,730,000, and Series B of \$3,130,000. The bonds were issued to finance expansion of the terminal building and construction of a parking deck and related facilities and improvements, to fund a debt service reserve, and to pay issuance costs. The bonds are special obligations payable solely from the revenues of the Airport and amounts on deposit in certain accounts established under a Master

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and Supplemental Indenture. The Series 1999A Term Bonds maturing on November 1, 2016, and 2019, are subject to redemption in part by operation of sinking fund installments beginning November 1, 2015. The Series 1999A Bonds maturing November 1, in the years 2010 through 2014 and 2019 are subject to optional redemption on or after November 1, 2009, and the Series 1999A Bonds maturing on November 1, 2016, are subject to optional redemption on or after November 1, 2006.

Series A principal payments are due annually on November 1. Series B principal payments are due annually on November 1. Interest payments are due semi-annually on May 1 and November 1 of each year.

City of Little Rock, Arkansas, Airport Revenue Refunding Bonds – Series 2003 – The \$7,060,000 Special Obligation Bonds dated July 1, 2003, were issued to currently refund the \$3,540,000 outstanding principal of the City of Little Rock, Arkansas, Airport Revenue Refunding Bonds, Series 1994, and to advance refund the \$4,020,000 outstanding principal of the City of Little Rock, Arkansas, Airport Revenue Refunding Bonds, Series 1995, to fund a debt service reserve and to pay issuance costs. The bonds are special obligations payable solely from net revenues of the Airport and amounts on deposit in certain accounts established under the Master and Supplemental Indentures. The bonds are subject to redemption in part by sinking fund installments beginning November 1, 2008.

Principal payments are due annually on November 1, and interest payments at a rate of 3.20% to 5.00% are due semi-annually on May 1 and November 1 of each year.

As a result of the refunding, the Airport reduced its total debt service requirements by \$1,021,950, which resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$845,363.

The bond premium of \$417,990 is being amortized as a component of interest expense and the \$423,599 difference between the carrying amount of the refunded debt and the amount required to reduce the debt was deferred and is being amortized over the remaining life of the Series 2003 Bonds.

Capital lease

Various capital assets (buildings, hangers and other facilities) will revert to the National Airport at the termination of the period specified in the lease agreements. The airport recognized the original cost of constructing the facilities as an asset with a liability account established for the unearned equity based on the provisions of the lease agreements. The facilities are depreciated over their estimated useful lives while the equity (\$1,951,546 in 2003) is recognized over the life specified in the lease agreements.

City of Little Rock, Arkansas
Notes to Financial Statements
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Advertising and Promotion Commission Bonds

Advertising and Promotion Commission Bonds - Series 1993 - The Series 1993 Advertising and Promotion Commission Bonds were issued for the purpose of refinancing the outstanding revenue bonds Series 1986, which had been issued to refinance the original Series 1980 bond issue for the construction of a convention center. Serial bond principal payments are due each August 1 (excluding 2004 through 2006). Interest payments are due each February 1 and August 1.

The serial bonds as presented on the combined balance sheet include \$1,810,299 of unamortized premium. These bonds are collateralized by proceeds of the two percent hotel and gross receipts tax levy.

Series 2003

During 2003, the Series 2003 Advertising and Promotion Commission Tax Refunding Bonds were issued to advance refund the serial Series 1993 bonds maturing from August 1, 2004 through August 1, 2006. Principal payments are due each August 1 with final payment due in 2006. Interest payments are due each February 1 and August 1.

The serial bonds as presented include an unamortized premium of \$24,798. These bonds are collateralized by proceeds of the 2% hotel, motel and restaurant gross receipts tax levy, and amounts, if any, received from the State turn-back tax levy. The Commission is required to maintain separate sinking and bond fund accounts and adhere to certain operating requirements as stipulated in the bond agreement.

This advance refunding resulted in reducing its total debt service payments over the next three years by approximately \$111,265 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$91,000.

City of Little Rock, Arkansas
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December 31, 2003

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds and revenue bonds, as well as notes payable, outstanding at December 31, 2003. Principal and interest are also disclosed for the component units as follows:

Fiscal Year	Primary Government				Component Units	
	General Obligation Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 7,550,000	\$ 1,573,813	\$ 2,460,000	\$ 2,467,418	\$ 4,403,240	\$ 4,691,079
2005	3,785,000	1,347,333	2,540,000	2,376,450	4,583,742	4,525,718
2006	2,140,000	1,228,123	2,635,000	2,271,538	5,287,867	4,364,764
2007	2,230,000	1,136,577	3,005,000	2,156,670	4,953,192	4,073,402
2008	2,125,000	1,043,508	3,135,000	2,029,393	5,194,787	3,913,894
2009 – 2013	12,150,000	3,732,230	17,210,000	7,870,985	30,195,148	15,282,765
2014 – 2018	7,590,000	1,499,753	8,885,000	4,530,788	27,355,192	7,160,181
2019 – 2023	1,395,000	69,750	8,480,000	2,330,320	15,156,623	1,514,128
2024 – 2028	—	—	3,820,000	628,580	—	—
	<u>\$ 38,965,000</u>	<u>\$ 11,631,087</u>	<u>\$ 52,170,000</u>	<u>\$ 26,662,142</u>	<u>\$ 97,129,791</u>	<u>\$ 45,525,931</u>

Fiscal Year	Notes Payable	
	Principal	Interest
2004	\$ 3,308,977	\$ 433,399
2005	2,252,741	351,461
2006	2,343,590	264,981
2007	2,162,922	173,673
2008	965,129	86,145
2009 – 2013	<u>370,000</u>	<u>127,794</u>
	<u>\$ 11,403,359</u>	<u>\$ 1,437,453</u>

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Note 5: Interfund Receivables and Payables

Interfund receivables and payables as of December 31, 2003 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government		
Governmental Funds		
General fund	\$ 6,028,595	\$ 4,709,056
Community Development Block Grant	—	31,323
2004 Capital Improvement	—	64,634
2002 Short-term Financing	—	1,783
1999 Central Arkansas Library	232	—
Grant fund	<u>—</u>	<u>1,047,260</u>
Total governmental funds	<u>6,028,827</u>	<u>5,854,056</u>
Proprietary Funds		
Waste Disposal	193	—
Presidential Park	—	845,806
Riverfront Park	—	386,090
Zoo	—	1,096,676
Golf Courses	—	2,281,413
Fitness Center	—	7,971
Concession Services	—	265,638
Impound Services	—	23,590
Internal Service	<u>23,589</u>	<u>193</u>
Total proprietary funds	<u>23,782</u>	<u>4,907,377</u>
Fiduciary Funds		
Policemen's pension	2,354,412	—
Firemen's pension	<u>2,354,412</u>	<u>—</u>
Total fiduciary funds	<u>4,708,824</u>	<u>0</u>
 Total	 <u>\$ 10,761,433</u>	 <u>\$ 10,761,433</u>

Note 6: Pension Plans

Pension Trust Funds

Substantially all of the City's employees receive retirement benefits. The City sponsors four single employer defined benefit plans and two defined contribution plans. The City also contributes to the Local Police and Fire Retirement System, a statewide agent multiple-employer defined benefit pension plan. The assets of the Plans are maintained in legally separate trusts and each Plan's assets may be used only for the payment of benefits to the members of that Plan or their beneficiaries in accordance with the terms of the Plan.

City of Little Rock, Arkansas
Notes to Financial Statements
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A. Summary of Significant Accounting Policies

Basis of Accounting

The City of Little Rock's financial statements for its defined benefit and defined contribution plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. City contributions to each Plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan.

Method Used to Determine Fair Value of Investments

The fair value of investments other than mutual funds is determined using quoted market prices. The fair value of investments in mutual funds is determined using the fund's current per share price.

B. Membership Information

Membership of each Plan consisted of the following at December 31, 2003:

	Policemen's Fund	Firemen's Fund	Judges' Fund	Nonuniformed Benefit Plan	Nonuniformed Contribution Plan	401 (a) Contribution Plan
Retirees and beneficiaries receiving benefits	260	270	8	96	0	0
Active plan members	3	44	18	55	823	39
Members on Deferred Retirement Option Plan (DROP)	<u>87</u>	<u>45</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>350</u>	<u>359</u>	<u>26</u>	<u>151</u>	<u>823</u>	<u>39</u>

City of Little Rock, Arkansas
Notes to Financial Statements
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C. Financial Information

Separate financial reports are not issued on each plan; however, complete financial information, which has been subjected to audited procedures has been included in the supplementary information. The following is the condensed financial information of the pension trust funds:

	Statement of Fiduciary Net Assets					
	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Municipal Judges' Fund	Nonuniformed Contribution Plan	Nonuniformed Benefit Plan	401 (a) Contribution Plan
Assets						
Cash and cash equivalents	\$ 1,479,754	\$ 2,927,918	\$ 75,727	\$ 1,025,828	\$ 251,019	\$ —
Investments	60,121,845	81,351,262	528,881	24,751,323	8,123,582	2,508,552
Receivables	<u>2,540,957</u>	<u>2,879,213</u>	<u>4,267</u>	<u>96,805</u>	<u>587</u>	<u>—</u>
Total assets	<u>64,142,556</u>	<u>87,158,393</u>	<u>608,875</u>	<u>25,873,956</u>	<u>8,375,188</u>	<u>2,508,552</u>
Liabilities						
Accrued liabilities	<u>83,392</u>	<u>31,221</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total liabilities	<u>83,392</u>	<u>31,221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets						
Net assets held in trust for pension benefits	<u>\$ 64,059,164</u>	<u>\$ 87,127,172</u>	<u>\$ 608,875</u>	<u>\$ 25,873,956</u>	<u>\$ 8,375,188</u>	<u>\$ 2,508,552</u>
	Statement of Changes in Fiduciary Net Assets					
Additions						
Contributions	\$ 6,227,238	\$ 4,705,691	\$ 39,999	\$ 2,066,669	\$ 480,172	\$ 550,250
Net investment income	<u>11,829,308</u>	<u>11,869,995</u>	<u>23,802</u>	<u>4,522,641</u>	<u>1,636,629</u>	<u>392,071</u>
Total additions	<u>18,056,546</u>	<u>16,575,686</u>	<u>63,801</u>	<u>6,589,310</u>	<u>2,116,801</u>	<u>942,321</u>
Deductions						
Benefits paid directly to participants	8,810,443	7,456,460	81,865	1,570,523	1,159,537	135,693
Administrative expenses and other	<u>189,864</u>	<u>8,017</u>	<u>77</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deductions	<u>9,000,307</u>	<u>7,464,477</u>	<u>81,942</u>	<u>1,570,523</u>	<u>1,159,537</u>	<u>135,693</u>
Change in Net Assets	9,056,239	9,111,209	(18,141)	5,018,787	957,264	806,628
Net Assets Held in Trust For Pension Benefits, Beginning of Year	<u>55,002,925</u>	<u>78,015,963</u>	<u>627,016</u>	<u>20,855,169</u>	<u>7,417,924</u>	<u>1,701,924</u>
Net Assets Held in Trust For Pension Benefits, End of Year	<u>\$ 64,059,164</u>	<u>\$ 87,127,172</u>	<u>\$ 608,875</u>	<u>\$ 25,873,956</u>	<u>\$ 8,375,188</u>	<u>\$ 2,508,552</u>

City of Little Rock, Arkansas

Notes to Financial Statements

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D. Plan Descriptions and Funding Information

The ***Policemen's Pension and Relief Fund*** ("**Policemen's Fund**") is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #16, as amended. Policemen's Fund assets are administered by a Board of Trustees.

The Policemen's Fund provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the police department. The Policemen's Fund also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan ("DROP") for up to 10 years. All policemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Policemen's Fund is effectively closed to new members.

Contributions to the Policemen's Fund are set forth in Arkansas statute. The City's contribution to the Policemen's Fund consists of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, and a \$3 assessment against each court case plus 10 percent of fines and forfeitures collected. Additionally, the City contributes a percentage of the policemen's salaries, which amounted to six percent during 2003. The participants contributed six percent of their salaries in 2003. Participant contributions are returned without interest if the participant terminates covered employment. Administrative costs are financed by the Policemen's Fund. Total 2003 contributions to the Policemen's Fund were \$6,209,903. The City's share of contributions was \$5,886,211 and included \$2,292,663 in property taxes and \$2,910,413 in state insurance premium taxes.

The ***Firemen's Pension and Relief Fund*** ("**Firemen's Fund**") is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #14, as amended. Fund assets are administered by a Board of Trustees.

The Firemen's Fund provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the fire department. The Firemen's Fund also provides benefits for surviving spouses and dependent children of deceased firemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to ten years. All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System created by Act 364 of 1981. Therefore, the Firemen's Fund is effectively closed to new members.

Contributions to the Firemen's Fund are set forth in Arkansas statute. The City's contribution to the Firemen's Fund consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries which amounted to six percent during 2003. The participants contributed six percent of their salaries in 2003. Participant contributions are returned without interest if the participant terminates covered employment. Contribution

City of Little Rock, Arkansas

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provisions applicable to the Fund are established by Arkansas code and may not be less than six percent. Administrative costs are financed through Fund assets approved by the Board of Directors. Total 2003 contributions to the Firemen's Fund were \$4,706,306. The City's share of contributions was \$4,410,513 and included \$2,316,698 in property taxes and \$1,797,407 in state insurance premium taxes.

The ***Municipal Judges' Retirement Fund ("Judges' Fund")*** is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by State of Arkansas Act #19, as amended. Fund assets are administered by a Board of Trustees. The Judges' Fund provides retirement benefits for municipal court judges and clerks who have completed 20 years of service. Disability benefits are available to participants who become permanently disabled, unless the disability is the direct result of gainful employment performed outside of the municipal courts. The Judges' Fund also provides benefits for surviving spouses and dependent children of deceased judges or clerks. No benefits are vested to participants until normal retirement.

Contributions to the Judges' Fund are set forth in Arkansas statute. The City's contribution to the Judges' Fund is based on fees assessed by the municipal courts for each criminal case, moving traffic violations, and summons issued. Participants make no contributions to the Judges' Fund. Accounting and administrative services are performed by personnel of the City at no charge to the Fund.

The ***Nonuniformed Employees' Defined Benefit Pension Plan ("Nonuniformed Plan")*** is a single-employer, defined benefit pension plan established under Arkansas state law. Benefit provisions are established and amended by City Ordinance #11088. Plan assets are administered by a Board of Trustees.

The Nonuniformed Plan provides retirement, disability, and survivor benefits to participating employees and/or their beneficiaries or dependents who have met eligibility requirements set forth in the plan's benefit provisions.

Under the original provisions of the Nonuniformed Plan, participants and the City were required to contribute a certain percentage of the participant's salary. Effective January 1, 1978, the plan was frozen. Contributions continued to be required through December 31, 1980. As of January 1, 1981, participants of the Nonuniformed Plan became participants in the City of Little Rock Nonuniformed Employees' Defined Contribution Plan ("Defined Contribution Plan"), which became effective for all regular, nonuniformed employees of the City as of that date. Currently, the only contributions the City makes to the Plan on an annual basis are those required to make the Plan actuarially sound. These contributions are made on a one year lag. Contributions during 2003 were \$480,172.

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	2003 Annual Pension Cost and Net Pension Obligation (Asset)		
	Policemen's Fund	Firemen's Fund	Nonuniformed Plan
Annual required contributions	\$ 12,179,357	\$ 5,129,504	\$ 1,461,740
Interest on net pension obligation	1,668,875	(105,851)	—
Adjustment to annual required contribution	<u>(4,637,602)</u>	<u>462,863</u>	<u>—</u>
Annual pension cost	9,210,630	5,486,516	1,461,740
Contributions made	<u>(5,886,211)</u>	<u>(4,410,513)</u>	<u>(480,172)</u>
Increase in net pension obligation	3,324,419	1,076,003	981,568
Net pension obligation (asset), beginning of the year	<u>27,447,120</u>	<u>(1,909,592)</u>	<u>0</u>
Net pension obligation (asset), end of the year	<u>\$ 30,771,539</u>	<u>\$ (833,589)</u>	<u>\$ 981,568</u>

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Policemen's Fund	12/31/2001	\$ 5,213,423	72%	\$ 22,147,489
	12/31/2002	9,495,841	44%	27,447,120
	12/31/2003	9,210,630	64%	30,771,539
Firemen's Fund	12/31/2001	\$ 2,162,764	152%	\$ (4,306,754)
	12/31/2002	5,129,504	58%	(1,909,592)
	12/31/2003	5,486,516	80%	(833,589)
Nonuniformed Plan	12/31/2001	111,822	100%	\$ 0
	12/31/2002	480,172	100%	0
	12/31/2003	1,461,740	33%	981,568

Net pension obligations have historically been the responsibility of the general fund. The annual pension cost, net pension obligation and three-year trend information disclosures on the Judges' Fund are not included since the information is not currently available. The Nonuniformed Plan uses the aggregate actuarial cost method in calculating the annual actuarially required contribution. This method does not identify or separately amortize unfunded actuarial accrued liabilities.

The significant increase in annual pension cost from fiscal year 2001 to fiscal year 2002 for the policemen's and firemen's funds can be attributed to increased benefits and losses incurred in plan assets due to economic conditions. The significant increase in annual pension cost from fiscal year 2002 to fiscal year 2003 for the Nonuniformed's plan can be attributed to negative investment return in 2002.

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Agent Multiple-Employer Defined Benefit Pension Plan

The ***Local Police and Fire Retirement System*** (“LOPFI”) is a statewide agent multiple-employer retirement program that provides retirement, disability, and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. The authority to establish and amend benefit provisions is set forth in Arkansas state statutes and is vested in the Arkansas Legislature with the concurrence of the Governor. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the Plan. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information of the Plan, which may be obtained by contacting the following:

Arkansas Local Police and Fire Retirement System
P. O. Drawer 34164
Little Rock, Arkansas 72203
(501) 682-1745

Contribution requirements are set forth in Arkansas statute. LOPFI members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 8.64 percent for participating policemen and 8.92 percent for participating firemen.

For 2003, the City’s annual pension cost was \$1,126,749 for policemen and \$707,630 for firemen, which was equal to the required and actual contributions. Neither Plan has a net pension obligation (NPO). The required contributions were determined as part of the December 31, 2000, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a 8.0 percent investment rate of return on present and future assets, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0 percent to 5.1 percent per year attributable to seniority/merit, (d) pre- and post-retirement mortality based on the 1984 projection of the 1971 Group Annuity Mortality Table set back no years for men and six years for women, and (e) annual non-compounded post-retirement increases of 3.0 percent per year. The actuarial value of LOPFI assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. LOPFI’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2000, was 30 years.

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
LOPFI – Policemen	12/31/2001	\$ 1,923,744	100%	\$ 0
	12/31/2002	1,119,450	100%	0
	12/31/2003	1,126,749	100%	0
LOPFI – Firemen	12/31/2001	1,105,645	100%	\$ 0
	12/31/2002	720,771	100%	0
	12/31/2003	707,630	100%	0

Defined Contribution Plans

The ***Nonuniformed Employees' Defined Contribution Plan*** (“**Nonuniformed Contribution Plan**”) is a defined contribution plan administered by an independent fiduciary agent, but governed by a Board of Trustees consisting of City Officials. The Nonuniformed Contribution Plan provides retirement, disability, and survivor benefits for nonuniformed full-time employees who have met eligibility requirements as defined by the plan, with the exception of certain executives and officials who are enrolled in alternate plans. The Nonuniformed Contribution Plan began on January 1, 1981; benefit provisions are established by City Resolution #6482, as amended. The amount of benefits to be paid to any participant depends solely on amounts contributed to the plan plus investment earnings.

The plan requires that employees contribute no less than 3.5 percent and may contribute an additional 10 percent of their base salary. Only contributions up to 3.5 percent are pre-tax. The City is required to contribute four percent of covered payroll each pay period. Participants become fully vested in employer contributions and investment earnings credited to their account after five years of service. Nonvested City contributions and investment earnings are forfeited when participants leave covered employment and are transferred to a separate account which may be used to reduce City contributions. During 2003, employer and employee contributions to the plan were \$1,062,532 and \$1,004,137, respectively.

The ***401(a) Money Purchase and Trust Retirement Fund*** is a defined contribution pension plan established under Arkansas state law, covering selected employees. Pension expense is recorded for the amount of the City's required contributions, determined in accordance with the terms of the plan. The plan is administered by a Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan documents and were established and can be amended by action of the Board of Directors. Contributions during 2003 were \$550,250.

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Note 7: Postretirement Health Care and Life Insurance Benefits

Retiring employees are permitted to continue their coverage in the City's group health insurance plan for varying lengths of time if they pay the full cost of the coverage. In 1997, the City passed Resolution 9933 and began paying 75 percent of insurance premium costs for eligible retired individuals. The amendment includes only those retirees who achieve the "rule of seventy" (a combination of age and years of city government service), and who have worked a minimum of five years for the City of Little Rock. Also, in 1998, the City passed Ordinance 17503, implementing a program to provide full payment of insurance premiums for dependents of employees killed in the line of duty. In addition, retiring employees are permitted to convert their group life insurance coverage to an individual policy at their own expense. These benefits are funded and the related expenditures/expenses are recognized on a "pay-as-you-go" basis. These post-retirement benefits resulted in an immaterial cost to the City in 2003.

Note 8: Risk Management

Workers' Compensation

The City participates in a self-funded workers' compensation plan. All full-time employees are covered by the plan. It is self-funded to a maximum of \$400,000 per occurrence per employee. Coverage amounts in excess of this limit have been obtained by means of a stop loss reinsurance policy. The City records an estimated liability within the general fund based on claims made against the City. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not yet reported based on historical experience. Settlements have not exceeded coverage in each of the past three years. The following represents the changes in approximate aggregate liabilities of the workers' compensation plan for the City for January 1, 2002 to December 31, 2003:

Liability balance, January 1, 2002	\$ 721,369
Claims and changes in estimates	695,921
Claims payments	<u>(583,539)</u>
Liability balance, December 31, 2002	833,751
Claims and changes in estimates	630,328
Claims payments	<u>(436,484)</u>
Liability balance, December 31, 2003	\$ <u><u>1,027,595</u></u>

Insurance Coverage

The City of Little Rock, Arkansas, and its component units have various insurance policies to cover their potential liability risk areas (*i.e.*, automobile, personal property, contents and outside structures and worker's compensation). The type of coverage and the liability limits vary with each entity. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by AML based on such factors as claims experience, employee class multipliers and population. For risks covered by AML, the City pays no deductible; however, the City pays a \$2,000 fee to AML for each legal matter it handles. There have been no significant reductions in coverage from 2001 to 2003; nor have settlement amounts exceeded insurance coverage for each of the past three years.

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

Note 9: Property Taxes

City property taxes are levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The property tax is considered due the first Monday in January after the levy; however, the tax is not considered delinquent until October 11 of that year. As a result, the majority of the tax is not collected within the time frame necessary to finance the liabilities of the current period. Property taxes which remain delinquent for a period of three years are certified to the land commissioner where a lien is recorded and held on file. If property taxes remain delinquent for a period of seven years, the property will be subsequently sold by the land commissioner. If proceeds from the sale are sufficient to cover all claims, the City will collect on the past due property taxes. Pulaski County is the collecting agent and remits collections to the City, net of a collection fee, on a monthly basis.

In the governmental funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2003, property taxes receivable and related deferred revenues of \$29,218,628 have been recorded in the governmental funds. In the government-wide statement of net assets, property taxes are considered earned at the time levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible. The appraised value of taxable property upon which the property tax is levied is determined by the county assessor. The assessor estimates full market value of the property and applies the statutory rate of 20 percent to arrive at assessed value.

Milleages available to finance City operations and for other purposes are as follows:

Description	Milleage Limit	Levied 2003 for 2004 Collections
General purpose	5.00	5.00
Municipal improvements	3.30	3.30
Library operations	2.80	2.80
Library capital improvement bonds	1.00	1.00
Firemen's relief and pension fund	1.00	1.00
Policemen's pension and relief fund	<u>1.00</u>	<u>1.00</u>
Total	<u>14.10</u>	<u>14.10</u>

Note 10: Landfill Closure and Postclosure Care Cost

Federal and state laws and regulations require the Solid Waste Landfill to close the new landfill that began accepting waste after October 9, 1993, by (1) covering the site with an impermeable cap, (2) implementing additional groundwater monitoring, (3) providing a minimum of 30 years of postclosure care, and (4) demonstrating financial assurance for the closure and postclosure care. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The cumulative recognition of this liability of \$2,436,971 is based on 10.7 percent use of Class I Waste total constructed capacity, and 24.2 percent use of Class IV Waste constructed capacity. The Waste Disposal Fund will recognize, as the remaining capacity is filled, an estimated additional \$10,732,207 for final closure and postclosure of the entire landfill, which is expected to close in or

City of Little Rock, Arkansas
Notes to Financial Statements
December 31, 2003

about the year 2065. These amounts are based on engineering estimates of what it would cost to perform all closure and postclosure care in 2003. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City Waste Disposal Fund demonstrates financial assurance for closure and postclosure care through the Environmental Protection Agency's Local Government Financial Test, 40 CFR Part 258, Subpart G, dated November 27, 1996. In this test, the City demonstrates that it is capable of meeting its financial obligations at its municipal solid waste landfill facility through a bond rating requirement where all outstanding general obligation bonds have a current investment grade bond rating.

Note 11: Other Required Disclosures

The following enterprise funds have deficit net assets as of December 31, 2003:

Fund	Deficit Amount
Presidential park	\$ (1,816,365)
Impound services	(112,100)
Concessions services	<u>(271,792)</u>
Total deficit net assets	<u>\$ (2,200,257)</u>

The deficit net assets are the result of revenues inadequate to cover expenses, including depreciation, in the current and/or prior years.

Note 12: Contingencies

The City participates in several federal financial assistance programs. The City's grant programs have been audited in accordance with the provisions of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, and are subject to resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

The City has an ongoing agreement with the Central Arkansas Transit Authority ("CATA") to finance 65 percent of its operating deficits. The City could continue to be required to fund CATA's operating deficits if the current level of services is to be maintained in the future.

The City is a member of the Arkansas Municipal Legal Defense Program (AMLDP), which provides extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and their officials and employees; which will not exceed 25 percent of the Program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. In the opinion of the City Attorney, the amount of financial exposure to the City as a result of litigation matters handled by the Program is not significant to the City.

City of Little Rock, Arkansas

Notes to Financial Statements

December 31, 2003

The City, its agencies, and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts, and alleged violations of state and federal laws.

It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the City. Based on the current status of all of the legal proceedings, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position. However, events could occur in the near term that would cause these estimates to change materially.

Note 13: Conduit Debt Obligations

From time to time, the City has issued economic development and other revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, health care facilities and other deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the State nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of December 31, 2003, the aggregate principal amount payable on these bonds was approximately \$85,000,000.

Note 14: Jointly Governed Organization

In 2001, the City of Little Rock and the City of North Little Rock entered into an agreement to create an entity to own and operate a consolidated water system. The newly created entity serves customers located within the corporate limits of the City parties. Under GASB 14, the entity is accounted for as a jointly governed organization.

Note 15: Commitments and Subsequent Events

The City is participating in a River Rail Project in conjunction with the City of North Little Rock, Pulaski County and Central Arkansas Transit Authority (CATA). The City is participating in a federal grant program to construct a light rail system in the downtown areas of Little Rock and North Little Rock. CATA applied for the grant monies based upon representation by the Mayors of Little Rock and North Little Rock and the Pulaski County Judge. The City is responsible for approximately one third of the costs in excess of the grant monies available to complete the project. In addition, future additions or improvements to the rail will be funded by the parties involved based on the location of the addition. The City where the addition or improvement is located will be responsible for $41\frac{2}{3}$ percent of the costs incurred. The County will be responsible for $33\frac{1}{3}$ percent and the City, where the addition is not located, the remaining 25 percent.

In January of 2004, the City issued \$70,465,000 Limited Tax General Obligation Capital Improvement Bonds, Series 2004 to provide funding for various capital improvement projects within the City, to fund capitalized interest and to pay the cost of issuance of the bonds. The

bonds are limited tax general obligations of the City and are payable from a 3.3 mills ad valorem tax levied on all taxable real estate and personal property within the City.

In January 2004, Little Rock Wastewater Utility issued a \$4,000,000 Sewer Revenue Note. Proceeds will be used for capital improvements, which include sewer mains and treatment plant improvements.

Note 16: Settled Litigation

On May 20, 2004, the Arkansas Supreme Court upheld the legality of the collection of the Pulaski County use tax, and ruled the tax could not be re-litigated in the future. The lawsuit was filed in 1998. Since 2002, the tax has been collected and held in escrow until a decision was rendered. The City of Little Rock's share of the tax as of December 31, 2003, was \$3,559,338 which has been recorded as a receivable and sales tax revenue in the accompanying government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Little Rock
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 11,827,691	\$ 11,827,691	\$ 16,120,129	\$ 4,292,438
Sales taxes	51,934,725	51,934,725	51,240,765	(693,960)
Licenses and permits	7,856,363	7,856,363	8,708,523	852,160
Intergovernmental	1,064,509	1,064,509	1,834,379	769,870
Charges for services	2,807,049	2,867,708	4,301,717	1,434,009
Fines and fees	3,500,688	3,549,888	3,679,892	130,004
Utility franchise fees	20,083,127	20,083,127	19,216,044	(867,083)
Investment income and unrealized gains	678,452	678,452	3,787	(674,665)
Miscellaneous	1,817,826	1,817,826	696,655	(1,121,171)
Total revenues	101,570,430	101,680,289	105,801,891	4,121,602
Expenditures				
General government:				
General administration	11,804,450	11,758,511	11,450,305	308,206
Mayor and board of directors	276,490	274,190	303,477	(29,287)
City manager	699,072	695,272	905,962	(210,690)
Community programs	321,592	310,781	2,669,890	(2,359,109)
City attorney	1,336,705	1,328,705	1,284,041	44,664
Cable TV	126,512	117,572	135,779	(18,207)
District court-first division (criminal)	1,003,805	1,053,005	911,705	141,300
District court-second division (traffic)	421,396	439,527	898,403	(458,876)
District court-third division (environmental)	938,216	938,216	443,482	494,734
Finance	2,205,909	2,188,400	2,294,340	(105,940)
Human resources	1,210,209	1,153,546	1,175,418	(21,872)
Information technology	2,716,733	2,494,290	2,423,691	70,599
Planning and development	2,090,450	2,056,200	1,994,355	61,845
Total general government	25,151,539	24,808,215	26,890,848	(2,082,633)
Public works	1,404,502	1,405,446	1,427,706	(22,260)
Parks and recreation services	6,088,343	6,035,753	6,637,468	(601,715)
Fire	22,837,536	23,458,381	26,203,805	(2,745,424)
Police	40,564,338	40,374,714	40,652,580	(277,866)
Housing and neighborhood programs	3,460,132	3,422,480	3,321,191	101,289
Vacancy savings	(4,316,395)	(4,316,395)	-	(4,316,395)
Total expenditures	95,189,995	95,188,594	#####	(9,945,004)
Excess (Deficiency) of Revenues Over Expenditures	6,380,435	6,491,695	668,293	(5,823,402)
Other Financing Sources (Uses)				
Transfers In	1,058,370	1,058,370	5,761,551	4,703,181
Transfers Out	(7,491,418)	(6,534,357)	(6,325,725)	208,632
Total other financing sources (uses)	(6,433,048)	(5,475,987)	(564,174)	4,911,813
Net Change in Fund Balances	(52,613)	1,015,708	104,119	(911,589)
Fund Balances, Beginning of Year	9,602,626	9,602,626	9,602,626	0
Fund Balances, End of Year	\$ 9,550,013	\$ 10,618,334	\$ 9,706,745	\$ (911,589)

City of Little Rock, Arkansas
Defined Benefit Pension Plans - Required Supplementary Information
Schedules of Funding Progress
Year Ended December 31, 2003

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)	Excess As A Percentage Of Covered Payroll ((a-b)/c)
Policemen's Pension and Relief Fund	12/31/97	\$ 47,864,469	\$ 88,707,782	\$ 40,843,313	54%	\$ 2,785,634	1466%	
	12/31/99	76,251,437	106,616,118	30,364,681	72%	1,629,510	1863%	
	12/31/01	59,371,210	115,944,481	56,573,271	51%	769,767	7349%	
	12/31/03	61,704,750	119,454,990	57,750,240	52%	150,796	38297%	
Firemen's Pension and Relief Fund	12/31/97	70,610,935	83,574,653	12,963,718	84%	4,973,319	261%	
	12/31/99	85,047,916	99,683,234	14,635,318	85%	4,050,671	361%	
	12/31/01	81,627,419	105,512,670	23,885,251	77%	3,162,756	755%	
	12/31/03	84,772,761	106,719,410	21,946,649	79%	2,363,860	928%	
Local Police and Fire Retirement System - Policemen	12/31/97	21,268,850	16,367,000	(4,901,850)	130%	14,082,197	35%	
	12/31/98	26,919,130	21,191,720	(5,727,410)	127%	15,232,944	38%	
	12/31/99	34,235,652	26,162,580	(8,073,072)	131%	16,017,081	50%	
	12/31/00	41,613,848	32,267,068	(9,346,780)	129%	16,757,492	56%	
Local Police and Fire Retirement System - Firemen	12/31/01	48,189,393	29,006,614	(19,182,779)	166%	17,917,697	107%	
	12/31/02	52,180,728	41,432,227	(10,748,501)	126%	18,888,048	57%	
	12/31/97	15,269,950	11,119,620	(4,150,330)	137%	7,232,768	57%	
	12/31/98	18,672,610	15,403,620	(3,268,990)	121%	7,548,264	43%	
	12/31/99	22,889,569	16,802,398	(6,087,171)	136%	8,727,677	70%	
	12/31/00	27,907,741	20,469,076	(7,438,665)	136%	9,773,607	76%	
	12/31/01	31,990,397	19,932,620	(12,057,777)	160%	11,137,425	108%	
	12/31/02	34,862,469	26,909,531	(7,952,938)	130%	12,055,371	66%	

Note: The Nonuniformed Employees' Defined Benefit Pension Plan uses the aggregate cost method in calculating the annual actuarially required contribution. This method does not identify or separately amortize unfunded actuarial accrued liabilities. Per paragraph 124 of Governmental Accounting Standards Board Statement 25 - *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, plans that use the aggregate cost method are not required to present a schedule of funding progress in the supplementary information to the financial statements.

Note: The supplementary information on the Municipal Judges' Retirement Fund required by the Governmental Accounting Standards Board is not included since the information is not currently available.

**Defined Benefit Pension Plans –
Required Supplementary Information
Schedule of Employer Contributions
Year Ended December 31, 2003**

	Year Ended December 31	Annual Required Contribution	Percentage Contributed
Policemen's Pension and Relief Fund	1998	\$ 7,944,771	43%
	1999	7,944,771	43%
	2000	6,235,069	66%
	2001	6,235,069	61%
	2002	12,152,301	35%
	2003	12,179,357	48%
Firemen's Pension and Relief Fund	1998	\$ 2,528,399	158%
	1999	2,528,399	158%
	2000	2,898,636	133%
	2001	1,906,925	173%
	2002	5,129,504	63%
	2003	5,129,504	86%
Nonuniformed Employees' Defined Benefit Pension Plan	1998	\$ 224,228	114%
	1999	58,991	388%
	2000	71,561	320%
	2001	111,822	100%
	2002	480,172	100%
	2003	1,461,740	33%
Local Police and Fire Retirement System – Policemen	1998	\$ 1,765,219	100%
	1999	1,850,690	100%
	2000	1,969,427	100%
	2001	1,923,744	100%
	2002	1,119,450	100%
	2003	1,126,749	100%
Local Police and Fire Retirement System – Firemen	1998	\$ 770,842	100%
	1999	818,850	100%
	2000	1,043,673	100%
	2001	1,105,645	100%
	2002	720,771	100%
	2003	707,630	100%

**Required Supplementary Information
Year Ended December 31, 2003**

Notes to Required Supplementary Information

Defined Benefit Pension Plans

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation (actuarial valuations are performed bi-annually) follows:

	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Nonuniformed Employees Defined Benefit Pension Plan	Local Police and Fire Retirement System – Policemen	Local Police and Fire Retirement System – Firemen
Actuarial valuation date	12/31/03	12/31/03	12/31/03	12/31/00	12/31/00
Actuarial cost method	Entry age normal	Entry age normal	Aggregate cost method Normal	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed	Not applicable	Level percent open	Level percent open
Remaining amortization period	5 years	5 years	Not applicable	30 years	30 years
Asset valuation method	Market	Market	Market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:					
Investment rate of return*	6.0%	6.0%	8.0%	8.0%	8.0%
Projected salary increases*	4.2 – 8.0%	4.2 – 8.0%	4.5%	4.0 – 9.1%	4.0 – 9.1%
*Includes inflation at	4.0%	4.0%	0%	4.0%	4.0%
Cost-of-living adjustments	None	None	None	3.0%	3.0%

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the City Manager. The budget reflects revenues expected to be received during the year and expenditures expected to be incurred. The City Manager is required by city and state law to submit these Required Supplementary Information budgets to the Board of Directors for approval. The Board of Directors subsequently adopts this budget by city ordinance by December 31. Divisional expenditures relating to budget items may not exceed their appropriated amounts without approval. As specified in the budget ordinance, the City Manager has authority to approve budget transfers between divisions up to \$50,000. Transfers over this amount must receive Board of Directors' approval. The original budget of the General Fund was amended during 2003.

Appropriations for special projects are made each year by the Board of Directors to finance specific events and capital outlays. These projects are carried forward each year until they are fully expended or repealed by Board of Directors' ordinance.

The City prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). Appropriations lapse at the end of each year. The *Budgetary Comparison Schedule – General Fund* presents the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

SUPPLEMENTARY INFORMATION

City of Little Rock, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2003

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount Expended
Child and Adult Care Food Programs	U.S. Department of Agriculture/Arkansas Department of Human Services	10.558	\$ 209,258
Community Development Block Grants/ Entitlement Grants	U.S. Department of Housing and Urban Development	14.218	2,975,964
Emergency Shelter Grants Program	U.S. Department of Housing and Urban Development	14.231	63,959
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	1,373,821
Community Block Grants - Section 108 Loan Guarantees	U.S. Department of Housing and Urban Development	14.248	2,810,000
Local Law Enforcement Block Grants Program	U.S. Department of Justice	16.592	417,245
Public Safety Partnership and Community Policing Grants	U.S. Department of Justice	16.710	53,279
Police Corps	U.S. Department of Justice	16.712	169,653
State and Local Domestic Preparedness Training Program	Department of Homeland Security	97.005	173,762
Chemical Stockpile Emergency Preparedness Program	Department of Homeland Security	97.400	93,995
Hazardous Materials Assistance Program	Department of Homeland Security	97.020	108,318
Welfare-to-Work Grants to States and Localities	U.S. Department of Labor/Arkansas Employment Security Department	17.253	147,691
State Energy Program	U.S. Department of Energy	81.041	3,526
Urban Park and Recreation Recovery Program	U.S. Department of Energy/Office of Energy Efficiency and Renewable Energy	15.919	25,588
Demonstration Cooperative Agreements for Development and Implementation of Criminal Justice Treatment Networks	U.S. Department of Health and Human Services	93.229	174,653
Highway Planning and Construction	U.S. Department of Transportation/Arkansas State Highway and Transportation	20.205	1,382,697
			<u>\$ 10,183,409</u>

City of Little Rock, Arkansas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2003

Notes to Schedule:

1. This schedule includes the federal awards activity of the City of Little Rock, Arkansas, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the City of Little Rock, Arkansas, provided federal awards to subrecipients as follows:

Program	CFDA No.	Subrecipient	Amount Provided
Community Development Block Grant	14.218	Various	\$ 354,781
HOME Investment Partnerships Program	14.239	Various	<u>432,747</u>
Total provided to subrecipients			\$ <u><u>787,528</u></u>

City of Little Rock, Arkansas
Schedule of Expenditures of State Awards
Year Ended December 31, 2003

<u>Program Grantor/Program Title</u>	<u>State Revenues/ Expenditures</u>
Department of Arkansas Heritage	
Certified Local Government History Program	\$ 19,899
Mosaic Templars Building	296,382
Arkansas Forestry Commission	
NUFA Conference	959
Forest Festival	8,263
Economic Development of Arkansas	
Port Authority Slackwater	218,651
LED Traffic Signals	669
Arkansas Department of Parks & Tourism	
Parks Bathroom Repair	63,249
Southend Park Drainage	92,948
Hyde Park Project	7,459
Arkansas Department of Finance	
Arkansas River Trail	33,144
Arkansas Game and Fish Commission	
First Tee Fishing Pier	5,846
Arkansas Department of Human Services	
KICK Tobacco Program	<u>14,861</u>
Total State	\$ <u><u>762,330</u></u>

NONMAJOR GOVERNMENTAL FUNDS

The **Special Revenue Funds** account for resources which are designated by law or contractual agreement for particular functions or activities and are legally required to be accounted for in separate funds. Such resources are derived from specific taxes, federal grant and entitlement monies, and multi-year appropriations.

STREET FUND - Accounts for gasoline and road taxes received from state and county levies. Revenues are expended for maintenance and repair of streets and sidewalks.

SPECIAL PROJECTS FUND - Accounts for receipts and appropriations to be spent on one-time, multi-year projects that benefit the entire City.

ECONOMIC DEVELOPMENT FUND - Accounts for funds to be used in support of economic development efforts, as determined by the board of directors, that will significantly improve the general economic well-being of the City through the creation of jobs for its citizens.

INFRASTRUCTURE FUND – Accounts for monies received from new franchise fee agreements.

EMERGENCY 9-1-1 FUND - Accounts for remittances for emergency telephone service charges by local telephone companies. These monies are used to establish and operate the uniform emergency telephone number network (9-1-1) for Little Rock.

COMMUNITY DEVELOPMENT FUND - Accounts for CDBG and other funds received from the federal Department of Housing and Urban Development. These monies are expended to provide housing or housing assistance to qualifying citizens, to improve neighborhood streets and drainage and to operate community health and recreation facilities.

NEIGHBORHOOD HOUSING SPECIAL PROJECT FUND – Accounts for the proceeds of Community Development Block Grant – Section 108 Guaranteed Loan Program and other City funds that are utilized to provide housing and housing assistance to qualifying citizens and to improve neighborhood infrastructure.

HOME INVESTMENT PARTNERSHIP FUND – Accounts for HOME and other funds received from the Department of Housing and Urban Development. These monies are expended to provide housing or housing assistance to qualifying citizens, to improve neighborhood streets and drainage and to operate community health and recreation facilities.

GRANT FUND – Accounts for grant funds received for various programs. These monies are expended to satisfy purposes as outlined by each federal program.

WELFARE-TO-WORK – Accounts for WTW grant funds received from the Department of Labor. These monies are expended to assist families and individuals to move from welfare to work.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

The **Debt Service Funds** account for the accumulation of resources for the payment of principal and interest on general long-term debt.

GENERAL OBLIGATION BONDS – 1998A Capital Improvement Revenue Bonds (Infrastructure Improvements) are special obligation bonds payable through the year 2012. Funding is obtained from all franchise fees charged to public utilities. 2002 Capital Improvement Junior Lien Revenue Bonds are special obligation bonds payable through the year 2018. Funding is obtained from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

LIMITED OBLIGATION BONDS – 1999A & 1999B Library Improvement Refunding Bonds are limited obligations payable through the year 2014. Funding is obtained from the collections of the Library tax. 2002 Library Improvement Bonds are limited obligations payable through the year 2013. Funding is obtained from the collections of the Library tax.

LIMITED TAX GENERAL OBLIGATION BONDS – 2001 Limited Tax General Obligation Refunding bonds are limited tax general obligations payable through the year 2005. Funding is obtained from the 3.3 mills ad valorem tax levied on all taxable real and personal property located within the jurisdictional limits of the City of Little Rock.

The **Capital Projects Fund** accounts for the acquisition or construction of major capital assets from the proceeds from general obligation bond issues and other financing sources.

1998 CAPITAL IMPROVEMENT FUND – The Series 1998A Bonds are issued for the purpose of acquiring, constructing, equipping, renovating, expanding and refurbishing certain street, sidewalk, curb, gutter, drainage and other related infrastructure improvements, including payment of a portion of the interest on the Series 1998A Bonds during the construction period.

1995 CAPITAL IMPROVEMENTS FUND - Accounts for the proceeds of the 1995 Series B Capital Improvement Bonds issued to finance the costs of various capital improvements for the City, including streets, parks, drainage, firefighting, police and community centers.

1988 CAPITAL IMPROVEMENTS FUND - Accounts for the proceeds of the 1988 Capital Improvement Bonds issued to finance improvements to the streets and drainage systems, parks, arts center, museum and Robinson Auditorium, as well as to construct a new police substation, a library branch and two fire stations.

CENTRAL ARKANSAS LIBRARY CONSTRUCTION FUND - Accounts for the proceeds of the 2002 Library Construction and Improvement Bonds issued to finance the cost of acquiring, constructing and equipping capital improvements for public city libraries and related facilities located in the City for the Central Arkansas Library System.

JUNIOR LIEN BONDS – Accounts for proceeds of the 2002 Capital Improvement Junior Lien Revenue Bonds issued to finance the construction and improvement of infrastructure within the City.

NONMAJOR GOVERNMENTAL FUNDS (Concluded)

2004 CAPITAL PROJECTS – Accounts for the proceeds of the 2004 Capital Improvement Bonds issued to finance improvements to the street and drainage systems, park and recreational improvements, police department improvements, fire department improvements, police, fire and emergency communications improvements and Robinson Statehouse Convention Center improvements.

2002 SHORT TERM FINANCING – Accounts for proceeds of 2002 Short Term Financing to acquire capital equipment and vehicles for the City.

2003 SHORT TERM FINANCING – Accounts for proceeds of 2003 Short Term Financing to acquire capital equipment and vehicles for the City.

City of Little Rock, Arkansas
Combining Balance Sheets
Governmental Funds - Nonmajor
December 31, 2003

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 3,540,641	\$ 4,285,274	\$ 4,687,204	\$ 12,513,119
Investments	4,463,269	6,812,885	12,097,382	23,373,536
Accounts receivable	6,896,241	2,578,592	14,199	9,489,032
Due from other funds	-	232	-	232
Interest receivable	19,133	17,292	106,169	142,594
Inventories	437,129	-	-	437,129
Prepaid expenditures and other	250,710	-	-	250,710
Total assets	<u>\$ 15,607,123</u>	<u>\$ 13,694,275</u>	<u>\$ 16,904,954</u>	<u>\$ 46,206,352</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 635,094	\$ -	\$ 905,380	\$ 1,540,474
Due to other funds	1,078,583	-	66,417	1,145,000
Accrued wages payable and related liabilities	322,885	-	-	322,885
Accrued expenditures and other	359,913	-	-	359,913
Deferred revenue	5,005,838	2,286,717	-	7,292,555
Total liabilities	<u>7,402,313</u>	<u>2,286,717</u>	<u>971,797</u>	<u>10,660,827</u>
Fund Balances				
Reserved	3,531,170	11,407,558	15,933,157	30,871,885
Unreserved	4,673,640	-	-	4,673,640
Total fund balances	<u>8,204,810</u>	<u>11,407,558</u>	<u>15,933,157</u>	<u>35,545,525</u>
Total liabilities and fund balances	<u>\$ 15,607,123</u>	<u>\$ 13,694,275</u>	<u>\$ 16,904,954</u>	<u>\$ 46,206,352</u>

City of Little Rock, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Nonmajor
Year Ended December 31, 2003

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
General property taxes	\$ 3,337,469	\$ 9,915,372	\$ -	\$ 13,252,841
Intergovernmental	16,763,416	-	23,244	16,786,660
Charges for services	457,630	-	-	457,630
Fines and fees	1,633,730	-	-	1,633,730
Utility franchise fees	-	1,674,059	-	1,674,059
Investment income and unrealized gains	138,933	107,375	234,450	480,758
Miscellaneous	3,343,651	-	-	3,343,651
Total revenues	<u>25,674,829</u>	<u>11,696,806</u>	<u>257,694</u>	<u>37,629,329</u>
Expenditures				
General government				
General administration	2,536	-	-	2,536
City manager	255,414	-	2,746	258,160
Community programs	129,190	-	-	129,190
District court - first division (criminal)	8,860	-	16,249	25,109
District court - second division (traffic)	53,091	-	-	53,091
Finance	109,387	-	2,773,261	2,882,648
Human resource	14,575	-	-	14,575
Information technology	-	-	293,233	293,233
Planning and development	41,277	-	42,971	84,248
Total general government	614,330	0	3,128,460	3,742,790
Public works	14,055,422	-	2,445,557	16,500,979
Parks and recreation services	966,840	-	353,011	1,319,851
Fire	493,935	-	1,343,203	1,837,138
Police	2,386,923	-	1,020,127	3,407,050
Fleet	-	-	910,617	910,617
Economic development	301,516	-	-	301,516
Education	147,691	-	-	147,691
Housing and neighborhood programs	6,236,500	-	119,054	6,355,554
Debt service				
Principal	-	9,660,000	-	9,660,000
Interest	-	1,932,911	-	1,932,911
Bond costs	-	11,159	-	11,159
Total expenditures	<u>25,203,157</u>	<u>11,604,070</u>	<u>9,320,029</u>	<u>46,127,256</u>
Excess (Deficiency) of Revenues Over Expenditure	<u>471,672</u>	<u>92,736</u>	<u>(9,062,335)</u>	<u>(8,497,927)</u>
Other Financing Sources (Uses)				
Loan proceeds	-	-	4,250,000	4,250,000
Transfers in	993,233	4,039	8,129	1,005,401
Transfers out	(2,081,368)	(137,550)	(199,497)	(2,418,415)
Total other financing sources (uses)	<u>(1,088,135)</u>	<u>(133,511)</u>	<u>4,058,632</u>	<u>2,836,986</u>
Net Change in Fund Balance:	(616,463)	(40,775)	(5,003,703)	(5,660,941)
Fund Balances, Beginning of Year	<u>8,821,273</u>	<u>11,448,333</u>	<u>20,936,860</u>	<u>41,206,466</u>
Fund Balances, End of Year	<u>\$ 8,204,810</u>	<u>\$ 11,407,558</u>	<u>\$ 15,933,157</u>	<u>\$ 35,545,525</u>

City of Little Rock, Arkansas
Combining Balance Sheets
Special Revenue Funds - Nonmajor
December 31, 2003

Assets

	Street	Special Projects	Economic Development	Infrastructure	Emergency 911	CDBG	NHSP	HIPP	Grant	Welfare-To-Work	Total
Cash and cash equivalents	\$ 307,005	\$ 180,271	\$ 28,751	\$ 467,548	\$ 294,643	\$ 1,477	\$ 789,266	\$ 256,969	\$ 1,210,791	\$ 3,920	\$ 3,540,641
Investments	943,644	555,098	88,530	1,439,689	907,275	-	-	1,395	515,286	12,352	4,463,269
Accounts receivable	5,441,427	99,842	-	-	66,498	131,894	-	112,385	1,044,195	-	6,896,241
Interest receivable	3,483	3,869	312	7,917	1,845	-	-	26	1,681	-	19,133
Inventories	-	-	-	-	-	95,960	-	341,169	-	-	437,129
Prepaid expenditures and other	-	-	-	-	250,710	-	-	-	-	-	250,710
Total assets	<u>\$ 6,695,559</u>	<u>\$ 839,080</u>	<u>\$ 117,593</u>	<u>\$ 1,915,154</u>	<u>\$ 1,520,971</u>	<u>\$ 229,331</u>	<u>\$ 789,266</u>	<u>\$ 711,944</u>	<u>\$ 2,771,953</u>	<u>\$ 16,272</u>	<u>\$ 15,607,123</u>

Liabilities and Fund Balances

Liabilities											
Accounts payable	\$ 209,217	\$ 29,858	\$ -	\$ 3,800	\$ 596	\$ 170,197	\$ 14,419	\$ 124,216	\$ 66,519	\$ 16,272	\$ 635,094
Due to other funds	-	-	-	-	-	31,323	-	-	1,047,260	-	1,078,583
Accrued wages payable and related liabilities	286,964	4,426	-	-	-	22,451	-	4,035	5,009	-	322,885
Accrued expenditures and other	359,913	-	-	-	-	-	-	-	-	-	359,913
Deferred revenue	3,315,988	-	-	-	-	-	-	-	1,689,850	-	5,005,838
Total liabilities	<u>4,172,082</u>	<u>34,284</u>	<u>0</u>	<u>3,800</u>	<u>596</u>	<u>223,971</u>	<u>14,419</u>	<u>128,251</u>	<u>2,808,638</u>	<u>16,272</u>	<u>7,402,313</u>

Fund Balances

Reserved											
Developer contribution account	-	513,265	-	-	-	-	-	-	-	-	513,265
Stormwater retention	-	168,174	-	-	-	-	-	-	-	-	168,174
Court automation	-	57,799	-	-	-	-	-	-	-	-	57,799
911 fees	-	-	-	-	1,203,167	-	-	-	-	-	1,203,167
Special projects - ADA	261,550	-	-	-	-	-	-	-	-	-	261,550
Grant funds	-	-	-	-	-	5,360	774,847	583,693	(36,685)	-	1,327,215
Total reserved	<u>261,550</u>	<u>739,238</u>	<u>0</u>	<u>0</u>	<u>1,203,167</u>	<u>5,360</u>	<u>774,847</u>	<u>583,693</u>	<u>(36,685)</u>	<u>0</u>	<u>3,531,170</u>
Unreserved											
	<u>2,261,927</u>	<u>65,558</u>	<u>117,593</u>	<u>1,911,354</u>	<u>317,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,673,640</u>
Total fund balances	<u>2,523,477</u>	<u>804,796</u>	<u>117,593</u>	<u>1,911,354</u>	<u>1,520,375</u>	<u>5,360</u>	<u>774,847</u>	<u>583,693</u>	<u>(36,685)</u>	<u>0</u>	<u>8,204,810</u>
Total liabilities and fund balances	<u>\$ 6,695,559</u>	<u>\$ 839,080</u>	<u>\$ 117,593</u>	<u>\$ 1,915,154</u>	<u>\$ 1,520,971</u>	<u>\$ 229,331</u>	<u>\$ 789,266</u>	<u>\$ 711,944</u>	<u>\$ 2,771,953</u>	<u>\$ 16,272</u>	<u>\$ 15,607,123</u>

City of Little Rock, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds - Nonmajor
Year Ended December 31, 2003

	Street	Special Projects	Economic Development	Infrastructure	Emergency 911	CDBG	NHSP	HIPP	Grant	Welfare-To-Work	Total
Revenues											
General property taxes	\$ 3,337,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,337,469
Intergovernmental	9,148,734	-	-	6,499	-	3,039,923	-	1,373,821	3,084,004	110,435	16,763,416
Charges for services	301,518	156,112	-	-	-	-	-	-	-	-	457,630
Fines and fees	-	221,269	-	-	1,412,461	-	-	-	-	-	1,633,730
Investment income and unrealized gains	39,522	18,138	2,389	33,775	30,386	-	-	-	14,723	-	138,933
Miscellaneous	55,380	1,752,112	-	-	-	65,673	491,455	979,031	-	-	3,343,651
Total revenues	12,882,623	2,147,631	2,389	40,274	1,442,847	3,105,596	491,455	2,352,852	3,098,727	110,435	25,674,829
Expenditures											
General government											
General administration	-	2,536	-	-	-	-	-	-	-	-	2,536
City manager	-	36,763	-	-	-	-	-	-	218,651	-	255,414
Community programs	-	114,329	-	-	-	-	-	-	14,861	-	129,190
District court - first division (criminal)	-	8,860	-	-	-	-	-	-	-	-	8,860
District court - second division (traffic)	-	53,091	-	-	-	-	-	-	-	-	53,091
Finance	-	109,387	-	-	-	-	-	-	-	-	109,387
Human resource	-	14,575	-	-	-	-	-	-	-	-	14,575
Planning and development	-	41,277	-	-	-	-	-	-	-	-	41,277
Total general government	0	380,818	0	0	0	0	0	0	233,512	0	614,330
Public works	12,375,242	299,720	-	461,565	-	-	-	-	918,895	-	14,055,422
Parks and recreation services	71,770	448,357	-	-	-	-	-	-	446,713	-	966,840
Fire	-	108,780	-	-	-	-	-	-	385,155	-	493,935
Police	-	395,395	-	-	1,107,414	-	-	-	884,114	-	2,386,923
Economic development	-	-	-	-	-	-	-	-	301,516	-	301,516
Education	-	-	-	-	-	-	-	-	-	147,691	147,691
Housing and neighborhood programs	-	159,302	-	-	-	3,223,880	813,753	2,039,565	-	-	6,236,500
Total expenditures	12,447,012	1,792,372	0	461,565	1,107,414	3,223,880	813,753	2,039,565	3,169,905	147,691	25,203,157
Excess (Deficiency) of Revenues Over Expenditures	435,611	355,259	2,389	(421,291)	335,433	(118,284)	(322,298)	313,287	(71,178)	(37,256)	471,672
Other Financing Sources (Uses)											
Transfers in	827,152	117,514	-	-	-	-	-	-	11,311	37,256	993,233
Transfers out	(466,554)	(878,330)	-	-	-	(470,690)	(96,014)	(91,400)	(78,380)	-	(2,081,368)
Total other financing sources (uses)	360,598	(760,816)	0	0	0	(470,690)	(96,014)	(91,400)	(67,069)	37,256	(1,088,135)
Net Change in Fund Balances	796,209	(405,557)	2,389	(421,291)	335,433	(588,974)	(418,312)	221,887	(138,247)	0	(616,463)
Fund Balance, Beginning of Year	1,727,268	1,210,353	115,204	2,332,645	1,184,942	594,334	1,193,159	361,806	101,562	-	8,821,273
Fund Balance, End of Year	\$ 2,523,477	\$ 804,796	\$ 117,593	\$ 1,911,354	\$ 1,520,375	\$ 5,360	\$ 774,847	\$ 583,693	\$ (36,685)	\$ 0	\$ 8,204,810

City of Little Rock, Arkansas
Combining Balance Sheets
Debt Service Funds - Nonmajor
December 31, 2003

	1998 Street and Drainage	1999 Central Arkansas Library	2001 Refunding	Junior Lien	Total
Assets					
Cash and cash equivalents	\$ 200,571	\$ 2,298,091	\$ 1,785,563	\$ 1,049	\$ 4,285,274
Investments	1,309,953	-	5,498,172	4,760	6,812,885
Accounts receivable	-	2,355,197	223,395	-	2,578,592
Due from other funds	-	232	-	-	232
Interest receivable	16,750	50	-	492	17,292
Total assets	<u>\$ 1,527,274</u>	<u>\$ 4,653,570</u>	<u>\$ 7,507,130</u>	<u>\$ 6,301</u>	<u>\$ 13,694,275</u>
Liabilities and Fund Balances					
Liabilities					
Deferred revenue	\$ -	\$ 2,286,717	\$ -	\$ -	\$ 2,286,717
Total liabilities	<u>0</u>	<u>2,286,717</u>	<u>0</u>	<u>0</u>	<u>2,286,717</u>
Fund Balances					
Reserved	<u>1,527,274</u>	<u>2,366,853</u>	<u>7,507,130</u>	<u>6,301</u>	<u>11,407,558</u>
Total fund balances	<u>1,527,274</u>	<u>2,366,853</u>	<u>7,507,130</u>	<u>6,301</u>	<u>11,407,558</u>
Total liabilities and fund balances	<u>\$ 1,527,274</u>	<u>\$ 4,653,570</u>	<u>\$ 7,507,130</u>	<u>\$ 6,301</u>	<u>\$ 13,694,275</u>

City of Little Rock, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds - Nonmajor
Year Ended December 31, 2003

	1998 Street and Drainage	1999 Central Arkansas Library	2001 Refunding	Junior Lien	Total
Revenues					
General property taxes	\$ -	\$ 2,319,730	\$ 7,595,642	\$ -	\$ 9,915,372
Utility franchise fees	1,361,029	-	-	313,030	1,674,059
Investment income and unrealized gains	30,567	6,717	68,009	2,082	107,375
Total revenues	1,391,596	2,326,447	7,663,651	315,112	11,696,806
Expenditures					
Debt Service					
Principal	695,000	1,715,000	7,110,000	140,000	9,660,000
Interest	802,723	536,798	422,360	171,030	1,932,911
Bond costs	2,098	4,357	2,884	1,820	11,159
Total expenditures	1,499,821	2,256,155	7,535,244	312,850	11,604,070
Excess (Deficiency) of Revenues Over Expenditures	(108,225)	70,292	128,407	2,262	92,736
Other Financing Sources (Uses)					
Transfers in	-	-	-	4,039	4,039
Transfers out	(4,039)	-	(133,511)	-	(137,550)
Total other financing sources (uses)	(4,039)	0	(133,511)	4,039	(133,511)
Net Change in Fund Balances	(112,264)	70,292	(5,104)	6,301	(40,775)
Fund Balance, Beginning of Year	1,639,538	2,296,561	7,512,234	0	11,448,333
Fund Balance, End of Year	\$ 1,527,274	\$ 2,366,853	\$ 7,507,130	\$ 6,301	\$ 11,407,558

City of Little Rock, Arkansas
Combining Balance Sheets
Capital Project Funds - Nonmajor
December 31, 2003

Assets

	1998 Capital Improvements	1995 Capital Improvements	1988 Capital Improvements	Central Arkansas Library	Junior Lien Bonds	2004 Capital Improvements	Short-Term Financing 2002	Short-Term Financing 2003	Total
Cash and cash equivalents	\$ 2,741,590	\$ 164,074	\$ 599,587	\$ 877,383	\$ 26,469	\$ -	\$ 24,918	\$ 253,183	\$ 4,687,204
Investments	2,448,839	505,223	1,846,269	6,421,133	81,505	-	14,801	779,612	12,097,382
Accounts receivable	-	-	14,199	-	-	-	-	-	14,199
Interest receivable	11,511	3,620	12,817	65,734	7,727	-	-	4,760	106,169
Total assets	\$ 5,201,940	\$ 672,917	\$ 2,472,872	\$ 7,364,250	\$ 115,701	\$ 0	\$ 39,719	\$ 1,037,555	\$ 16,904,954

Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 18,084	\$ -	\$ 5,691	\$ -	\$ 69,161	\$ 2,430	\$ 38,083	\$ 771,931	\$ 905,380
Due to other funds	-	-	-	-	-	64,634	1,783	-	66,417
Total liabilities	18,084	0	5,691	0	69,161	67,064	39,866	771,931	971,797

Fund Balances

Reserved	5,183,856	672,917	2,467,181	7,364,250	46,540	(67,064)	(147)	265,624	15,933,157
Total fund balances	5,183,856	672,917	2,467,181	7,364,250	46,540	(67,064)	(147)	265,624	15,933,157
Total liabilities and fund balances	\$ 5,201,940	\$ 672,917	\$ 2,472,872	\$ 7,364,250	\$ 115,701	\$ 0	\$ 39,719	\$ 1,037,555	\$ 16,904,954

City of Little Rock, Arkansas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds - Nonmajor
Year Ended December 31, 2003

	1998 Capital Improvements	1995 Capital Improvements	1988 Capital Improvements	Central Arkansas Library	Junior Lien Bonds	2004 Capital Improvements	Short-Term Financing 2002	Short-Term Financing 2003	Total
Revenues									
Intergovernmental	\$ -	\$ -	\$ 23,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,244
Investment income and unrealized gains	48,687	13,122	50,470	62,802	-	-	18,727	40,642	234,450
Total revenues	48,687	13,122	73,714	62,802	0	0	18,727	40,642	257,694
Expenditures									
General government									
City manager	-	-	-	-	-	-	2,746	-	2,746
District court - first division (criminal)	-	-	-	-	-	-	16,249	-	16,249
Finance	-	-	-	1,333,584	1,065,367	67,064	28,540	278,706	2,773,261
Information technology	-	-	-	-	-	-	134,920	158,313	293,233
Planning and development	-	-	-	-	-	-	5,771	37,200	42,971
Total general government	0	0	0	1,333,584	1,065,367	67,064	188,226	474,219	3,128,460
Public works	1,214,900	115,449	103,262	-	-	-	117,267	894,679	2,445,557
Parks and recreation services	-	78,870	12,314	-	-	-	-	261,827	353,011
Fire	-	40,807	-	-	-	-	-	1,302,396	1,343,203
Police	-	-	-	-	-	-	-	1,020,127	1,020,127
Fleet	-	-	-	-	-	-	870,176	40,441	910,617
Housing and neighborhood programs	-	-	-	-	-	-	87,725	31,329	119,054
Total expenditures	1,214,900	235,126	115,576	1,333,584	1,065,367	67,064	1,263,394	4,025,018	9,320,029
Deficiency of Revenues Over Expenditure	(1,166,213)	(222,004)	(41,862)	(1,270,782)	(1,065,367)	(67,064)	(1,244,667)	(3,984,376)	(9,062,335)
Other Financing Sources (Uses)									
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	4,250,000	4,250,000
Transfers in	2,719	-	5,410	-	-	-	-	-	8,129
Transfers out	(196,432)	-	(3,065)	-	-	-	-	-	(199,497)
Total other financing sources (uses)	(193,713)	0	2,345	0	0	0	0	4,250,000	4,058,632
Net Change in Fund Balance:	(1,359,926)	(222,004)	(39,517)	(1,270,782)	(1,065,367)	(67,064)	(1,244,667)	265,624	(5,003,703)
Fund Balance, Beginning of Year	6,543,782	894,921	2,506,698	8,635,032	1,111,907	0	1,244,520	0	20,936,860
Fund Balance, End of Year	\$ 5,183,856	\$ 672,917	\$ 2,467,181	\$ 7,364,250	\$ 46,540	\$ (67,064)	\$ (147)	\$ 265,624	\$ 15,933,157

City of Little Rock, Arkansas
Schedule of Budgetary Comparison
Street Fund
Year Ended December 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 3,497,766	\$ 3,497,766	\$ 3,337,469	\$ (160,297)
Intergovernmental	8,664,631	8,664,631	9,148,734	484,103
Charges for services	384,811	384,811	301,518	(83,293)
Investment income	3,100	3,100	39,522	36,422
Miscellaneous	67,336	67,336	55,380	(11,956)
Total revenues	<u>12,617,644</u>	<u>12,617,644</u>	<u>12,882,623</u>	<u>264,979</u>
Expenditures				
Parks and Recreation services	-	-	71,770	(71,770)
Public works	<u>13,087,540</u>	<u>13,192,971</u>	<u>12,375,242</u>	<u>817,729</u>
Total expenditures	<u>13,087,540</u>	<u>13,192,971</u>	<u>12,447,012</u>	<u>745,959</u>
Deficiency of Revenues Over Expenditures	<u>(469,896)</u>	<u>(575,327)</u>	<u>435,611</u>	<u>1,010,938</u>
Other Financing Sources (Uses)				
Transfers In	717,200	717,200	827,152	109,952
Transfers Out	<u>(466,554)</u>	<u>(466,554)</u>	<u>(466,554)</u>	<u>0</u>
Total other financing sources	<u>250,646</u>	<u>250,646</u>	<u>360,598</u>	<u>109,952</u>
Net Change in Fund Balances	(219,250)	(324,681)	796,209	1,120,890
Fund Balances, Beginning of Year	<u>1,727,268</u>	<u>1,727,268</u>	<u>1,727,268</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 1,508,018</u>	<u>\$ 1,402,587</u>	<u>\$ 2,523,477</u>	<u>\$ 1,120,890</u>

NONMAJOR ENTERPRISE FUNDS

The **Enterprise Fund** accounts for the activities that are financed and operated in a manner similar to private business or for which periodic determination of revenues, expenses and net income is considered desirable. The primary government directly manages the Enterprise Funds.

RIVERFRONT PARK – Established January 1, 1998, to manage the operations of the amphitheater and river market.

ZOO – Established January 1, 1998, to manage the operations of the zoo and for the purpose of acquiring, renovating, expanding and refurbishing additions and improvements to zoo facilities.

IMPOUND SERVICES – Established January 1, 2002, to manage the operations of the impound lot.

GOLF COURSES – Established January 1, 1998, to manage the operations of the golf courses and for the purpose of acquiring, renovating, expanding and refurbishing additions and improvements to golf facilities.

FITNESS CENTER – Established January 1, 1998, to manage the operations of the War Memorial fitness center.

CONCESSIONS SERVICES – Established January 1, 2000, to manage the operations of Parks Concession Services.

City of Little Rock, Arkansas
Combining Statement of Fund Net Assets
Enterprise Funds - Nonmajor
December 31, 2003

	Riverfront Park	Zoo	Impound Services	Golf Courses	Fitness Center	Concessions Services	Total
Assets							
Current assets							
Cash and cash equivalents	\$ 100	\$ 140,266	\$ 300	\$ 1,350	\$ 45	\$ 950	\$ 143,011
Investments	-	420,057	-	-	-	-	420,057
Interest receivable	-	1,079	-	-	-	-	1,079
Inventories	-	135,100	-	-	-	-	135,100
Prepaid expenses and other	-	1,053	20	1,335	-	-	2,408
Total current assets	100	697,555	320	2,685	45	950	701,655
Noncurrent assets							
Capital assets							
Land and land improvements	2,339,530	1,259,387	-	2,803,940	-	-	6,402,857
Buildings and improvements	3,399,536	2,768,598	6,076	366,341	2,866,210	-	9,406,761
Vehicles	-	330,753	81,378	811,818	11,047	17,133	1,252,129
Furniture and equipment	17,814	38,452	-	26,693	127,507	6,498	216,964
	5,756,880	4,397,190	87,454	4,008,792	3,004,764	23,631	17,278,711
Less accumulated depreciation	490,793	723,067	45,013	731,410	527,193	19,621	2,537,097
Net capital assets	5,266,087	3,674,123	42,441	3,277,382	2,477,571	4,010	14,741,614
 Total assets	 \$ 5,266,187	 \$ 4,371,678	 \$ 42,761	 \$ 3,280,067	 \$ 2,477,616	 \$ 4,960	 \$ 15,443,269

	Riverfront Park	Zoo	Impound Services	Golf Courses	Fitness Center	Concessions Services	Total
Liabilities and Net Assets							
Current liabilities							
Accounts payable	\$ 41,513	\$ 75,096	\$ 68,243	\$ 28,335	\$ 6,545	\$ 1,505	\$ 221,237
Due to other funds	386,090	#####	23,590	2,281,413	7,971	265,638	4,061,378
Accrued wages payable and related liabilities	12,050	72,115	23,607	41,150	16,245	4,801	169,968
Accrued expenses and other	12,251	86,366	30,577	44,710	23,035	4,387	201,326
Total current liabilities	451,904	1,330,253	146,017	2,395,608	53,796	276,331	4,653,909
Noncurrent liabilities							
Compensated absences	1,427	108,325	8,844	49,408	47,147	421	215,572
Total noncurrent liabilities	1,427	108,325	8,844	49,408	47,147	421	215,572
Total liabilities	453,331	1,438,578	154,861	2,445,016	100,943	276,752	4,869,481
Net Assets							
Invested in capital assets, net of related debt	5,266,087	#####	42,761	3,277,382	#####	4,010	14,741,934
Unrestricted	(453,231)	(741,023)	(154,861)	(2,442,331)	(100,898)	(275,802)	(4,168,146)
Total net assets	4,812,856	2,933,100	(112,100)	835,051	2,376,673	(271,792)	10,573,788
Total liabilities and net assets	\$ 5,266,187	\$ 4,371,678	\$ 42,761	\$ 3,280,067	\$ 2,477,616	\$ 4,960	\$ 15,443,269

City of Little Rock, Arkansas
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds - Nonmajor
Year Ended December 31, 2003

	Riverfront Park	Zoo	Impound Services	Golf Courses	Fitness Center	Concessions Services	Total
Operating Revenues							
Charges for goods and services	\$ 349,823	\$ 1,391,828	\$ 918,453	\$ 849,037	\$ 541,635	\$ 177,661	\$ 4,228,437
Miscellaneous	16,226	29,907	425,718	-	38,354	-	510,205
Total operating revenues	366,049	1,421,735	1,344,171	849,037	579,989	177,661	4,738,642
Operating Expenses							
Salaries, wages and employee benefits	278,806	1,732,823	539,249	1,001,319	504,071	114,144	4,170,412
Supplies and materials	39,568	496,090	55,376	74,520	54,333	106,044	825,931
Services	175,114	332,547	526,249	364,802	127,619	7,731	1,534,062
Repairs and maintenance	47,225	213,562	10,747	252,419	22,390	2,309	548,652
Other	216,525	102,675	23,943	38,733	3,325	2,017	387,218
Depreciation and amortization	81,924	108,767	10,180	54,094	95,372	1,926	352,263
Total operating expenses	839,162	2,986,464	1,165,744	1,785,887	807,110	234,171	7,818,538
Operating Income (Loss)	(473,113)	(1,564,729)	178,427	(936,850)	(227,121)	(56,510)	(3,079,896)
Nonoperating Revenue (Expenses)							
Interest income	-	23,317	-	-	-	-	23,317
Other	-	30,700	-	11,000	-	-	41,700
Net nonoperating revenues (expenses)	0	54,017	0	11,000	0	0	65,017
Income (Loss) Before Transfers In	(473,113)	(1,510,712)	178,427	(925,850)	(227,121)	(56,510)	(3,014,879)
Transfers In	272,287	1,954,024	-	633,129	150,164	-	3,009,604
Transfers Out	(4,654)	(5,918)	(250,000)	(5,198)	(22,498)	-	(288,268)
	267,633	1,948,106	(250,000)	627,931	127,666	0	2,721,336
Change in Net Assets	(205,480)	437,394	(71,573)	(297,919)	(99,455)	(56,510)	(293,543)
Net Assets, Beginning of Year	5,018,336	2,495,706	(40,527)	1,132,970	2,476,128	(215,282)	10,867,331
Net Assets, End of Year	\$ 4,812,856	\$ 2,933,100	\$ (112,100)	\$ 835,051	\$ 2,376,673	\$ (271,792)	\$ 10,573,788

City of Little Rock, Arkansas
Combining Statement of Cash Flows
Proprietary Funds - Nonmajor
Year Ended December 31, 2003

	River front Park	Zoo	Impound Services	Golf Courses	Fitness Center	Concession Services	Total
Operating Activities							
Receipts from customers	\$ 353,454	\$ 1,391,828	\$ 918,453	\$ 849,037	\$ 541,635	\$ 177,661	\$ 4,232,068
Other receipts	16,226	29,907	425,718	-	38,354	-	510,205
Payments to employees	(282,287)	(1,719,330)	(535,132)	(708,241)	(500,071)	(109,372)	(3,854,433)
Payments to suppliers	(39,568)	(549,402)	(55,376)	(74,520)	(54,333)	(56,321)	(829,520)
Payments to service providers	(175,114)	(332,475)	(475,144)	(408,180)	(127,636)	(7,731)	(1,526,280)
Other payments	<u>(140,761)</u>	<u>(249,976)</u>	<u>(34,690)</u>	<u>(291,152)</u>	<u>(25,715)</u>	<u>(4,326)</u>	<u>(746,620)</u>
Net cash provided by (used in) operating activities	<u>(268,050)</u>	<u>(1,429,448)</u>	<u>243,829</u>	<u>(633,056)</u>	<u>(127,766)</u>	<u>(89)</u>	<u>(2,214,580)</u>
Noncapital Financing Activities							
Transfers to other funds	272,287	1,954,024	-	633,129	150,164	-	3,009,604
Transfers from other funds	<u>(4,654)</u>	<u>(5,918)</u>	<u>(250,000)</u>	<u>(5,198)</u>	<u>(22,498)</u>	<u>-</u>	<u>(288,268)</u>
Net cash provided by (used in) noncapital financing activities	<u>267,633</u>	<u>1,948,106</u>	<u>(250,000)</u>	<u>627,931</u>	<u>127,666</u>	<u>0</u>	<u>2,721,336</u>
Capital and Related Financing Activities							
Purchase of capital assets	-	(16,417)	(9,933)	(8,044)	-	-	(34,394)
Other	<u>-</u>	<u>30,700</u>	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>41,700</u>
Net cash provided by (used in) capital and related financing activities	<u>0</u>	<u>14,283</u>	<u>(9,933)</u>	<u>2,956</u>	<u>0</u>	<u>0</u>	<u>7,306</u>
Investing Activities							
Proceeds from sale of investments	251	767	9,690	1,305	60	54	12,127
Purchase of investments	-	(420,057)	-	-	-	-	(420,057)
Interest income	<u>-</u>	<u>22,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,238</u>
Net cash provided by (used in) investing activities	<u>251</u>	<u>(397,052)</u>	<u>9,690</u>	<u>1,305</u>	<u>60</u>	<u>54</u>	<u>(385,692)</u>
Increase (Decrease) in Cash and Cash Equivalents	(166)	135,889	(6,414)	(864)	(40)	(35)	128,370
Cash and Cash Equivalents, Beginning of Year	<u>266</u>	<u>4,377</u>	<u>6,714</u>	<u>2,214</u>	<u>85</u>	<u>985</u>	<u>14,641</u>
Cash and Cash Equivalents, End of Year	<u>\$ 100</u>	<u>\$ 140,266</u>	<u>\$ 300</u>	<u>\$ 1,350</u>	<u>\$ 45</u>	<u>\$ 950</u>	<u>\$ 143,011</u>

**Reconciliation of Operating Income (Loss) to
to Net Cash Provided By (Used In)**

Operating Activities

Operating income (loss)	\$ (473,113)	\$ (1,564,729)	\$ 178,427	\$ (936,850)	\$ (227,121)	\$ (56,510)	\$ (3,079,896)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization expense	81,924	108,767	10,180	54,094	95,372	1,926	352,263
Changes in assets and liabilities							
Receivables, net	3,631	-	-	-	-	-	3,631
Due to/due from other funds, net	120,090	36,676	23,590	321,413	2,571	49,638	553,978
Prepaid expenses	-	72	(17)	(1,185)	-	-	(1,130)
Inventories	-	(53,312)	-	-	-	-	(53,312)
Accounts payable	9,599	29,585	27,530	(42,192)	(2,588)	85	22,019
Accrued expenses	<u>(10,181)</u>	<u>13,493</u>	<u>4,119</u>	<u>(28,336)</u>	<u>4,000</u>	<u>4,772</u>	<u>(12,133)</u>
Net cash provided by (used in) operating activities	<u>\$ (268,050)</u>	<u>\$ (1,429,448)</u>	<u>\$ 243,829</u>	<u>\$ (633,056)</u>	<u>\$ (127,766)</u>	<u>\$ (89)</u>	<u>\$ (2,214,580)</u>

FIDUCIARY FUNDS

PENSION TRUST FUNDS

Pension Trust Funds account for assets held in the Policemen's Pension and Relief Fund, the Firemen's Pension and Relief Fund, the Municipal Judges' Retirement Fund, the Nonuniformed Employees' Defined Contribution Plan, the Nonuniformed Employees' Defined Benefit Pension Plan and the 401(a) Money Purchase and Trust Retirement Fund. Fund trustees must act in accordance with the specific purposes and terms of these retirement plans.

AGENCY FUND

The **Agency Fund** accounts for monies collected and held by the courts until they are disbursed to various governmental agencies.

City of Little Rock, Arkansas
Combining Statement of Fiduciary Net Assets
12/31/2003

	Employee Retirement Plans						Total
	Policemen's Pension And Relief Fund	Firemen's Pension and Relief Fund	Municipal Judges' Retirement Fund	Nonuniformed Employees' Defined Contribution Plan	Nonuniformed Employees' Defined Benefit Plan	401(a) Money Purchase And Trust Retirement Fund	
Assets							
Cash and cash equivalents	\$ 1,479,754	\$ 2,927,918	\$ 75,727	\$ 1,025,828	\$ 251,019	\$ -	\$ 5,760,246
Investments							
U. S. government obligations	-	21,858,526	528,881	-	-	-	22,387,407
Corporate bonds	-	11,170,246	-	-	-	-	11,170,246
Equities	60,121,845	48,322,490	-	24,751,323	8,123,582	-	141,319,240
Mutual funds	-	-	-	-	-	2,508,552	2,508,552
Receivables							
Accounts receivable	-	-	-	96,805	-	-	96,805
Due from other funds	2,354,412	2,354,412	-	-	-	-	4,708,824
Contributions	20,182	20,931	-	-	-	-	41,113
Accrued interest and dividends	166,363	503,870	4,267	-	587	-	675,087
Total assets	64,142,556	87,158,393	608,875	25,873,956	8,375,188	2,508,552	188,667,520
Liabilities							
Accrued liabilities	83,392	31,221	-	-	-	-	114,613
Total liabilities	83,392	31,221	0	0	0	0	114,613
Net Assets							
Net assets held in trust for pension benefits	\$ 64,059,164	\$ 87,127,172	\$ 608,875	\$ 25,873,956	\$ 8,375,188	\$ 2,508,552	\$ 188,552,907

City of Little Rock, Arkansas
Combining Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2003

	Employee Retirement Plans					
	Policemen's Pension and Relief Fund	Firemen's Pension and Relief Fund	Municipal Judges' Retirement Fund	Nonuniformed Employees' Defined Contribution Plan		401(a) Money Purchase And Trust Retirement Fund
Additions						
Contributions						
Employer	\$ 323,692	\$ 295,793	\$ 39,999	\$ 1,062,532	\$ 480,172	\$ 256,731
Plan members	323,692	295,793	-	1,004,137	-	293,519
Property taxes contributed	2,292,663	2,316,698	-	-	-	-
State insurance turnback and guarantee fund	2,910,414	1,797,407	-	-	-	-
Other	376,777	-	-	-	-	-
Total contributions	6,227,238	4,705,691	39,999	2,066,669	480,172	550,250
Investment income (loss)						
Net increase (decrease in) fair value of investments	10,250,190	9,513,073	(26,809)	3,890,543	1,430,567	189,826
Interest and dividends	1,699,907	2,614,274	54,111	698,084	223,884	202,245
	11,950,097	12,127,347	27,302	4,588,627	1,654,451	392,071
Less investment expense	120,789	257,352	3,500	65,986	17,822	-
Net investment income	11,829,308	11,869,995	23,802	4,522,641	1,636,629	392,071
Total additions	18,056,546	16,575,686	63,801	6,589,310	2,116,801	942,321
Deductions						
Benefits paid directly to participants	8,810,443	7,456,460	81,865	1,570,523	1,159,537	135,693
Administrative expenses and other	189,864	8,017	77	-	-	-
Total deductions	9,000,307	7,464,477	81,942	1,570,523	1,159,537	135,693
Change in Net Assets	9,056,239	9,111,209	(18,141)	5,018,787	957,264	806,628
Net Assets Held in Trust For Pension Benefits, Beginning of Year	55,002,925	78,015,963	627,016	20,855,169	7,417,924	1,701,924
Net Assets Held in Trust For Pension Benefits, End of Year	\$ 64,059,164	\$ 87,127,172	\$ 608,875	\$ 25,873,956	\$ 8,375,188	\$ 2,508,552
						\$ 188,552,907

City of Little Rock, Arkansas
Statement of Changes in Assets and Liabilities
Agency Fund - Court Fund
Year Ended December 31, 2003

	Balance January 1, 2003		Additions		Deletions		Balance December 31, 2003
Assets							
Cash and cash equivalents	\$ 199,495	\$	167,612	\$	174,399	\$	192,708
Investments - mutual funds	<u>20,650</u>		<u>19,849</u>		<u>-</u>		<u>40,499</u>
	<u>\$ 220,145</u>	\$	<u>187,461</u>	\$	<u>174,399</u>	\$	<u>233,207</u>
Liabilities							
Accrued liabilities	<u>\$ 220,145</u>	\$	<u>187,461</u>	\$	<u>174,399</u>	\$	<u>233,207</u>

DISCRETELY PRESENTED COMPONENT UNITS

City of Little Rock, Arkansas
Combining Statement of Net Assets
Discretely Presented Component Units - Nonmajor
December 31, 2003

	Oakland Fraternal Cemetery	Advertising And Promotion Commission	Port Authority	Ambulance Authority	Central Arkansas Transit	Museum of Discovery	Arkansas Arts Center	Workforce Investment Board	Central Arkansas Library	Total
Assets										
Current assets										
Cash and cash equivalents	\$ 100,390	\$ 11,205	\$ 1,130,134	\$ 396,821	\$ 1,632,258	\$ 548,137	\$ 206,253	\$ 14,434	\$ 4,630,643	\$ 8,670,275
Investments	25,198	-	-	806,980	600,000	-	294,958	-	883,921	2,611,057
Restricted cash and investments - current	-	1,712,476	-	-	-	-	-	-	-	1,712,476
Accounts receivable, net of allowance for uncollectible accounts	-	232,207	403,042	3,147,489	14,697	15,080	157,845	-	470,955	4,441,315
Taxes receivable, net of allowance	-	645,895	-	-	-	-	-	-	8,011,705	8,657,600
Inventories	-	-	-	114,661	386,192	15,961	76,957	-	-	593,771
Prepaid expenses	-	39,017	35,229	-	192,446	2,691	-	-	-	269,383
Other	18,778	-	-	352,991	59,168	-	73,842	209,903	-	714,682
Total current assets	144,366	2,640,800	1,568,405	4,818,942	2,884,761	581,869	809,855	224,337	13,997,224	27,670,559
Noncurrent assets										
Restricted assets										
Cash and cash equivalents	-	949,449	285,252	-	-	-	-	-	-	1,234,701
Investments	2,853,062	3,869,143	-	3,658,254	-	-	-	-	-	10,380,459
Interest receivable	-	69,382	-	-	-	-	-	-	-	69,382
Less amounts required to meet current obligations	2,853,062	4,887,974	285,252	3,658,254	0	0	0	0	0	11,684,542
	-	1,712,476	-	-	-	-	-	-	-	1,712,476
Total restricted assets	2,853,062	3,175,498	285,252	3,658,254	0	0	0	0	0	9,972,066
Capital assets										
Land	103,018	2,134,263	5,510,106	185,781	1,684,690	-	125,210	-	1,576,482	11,319,550
Construction in progress	-	-	6,114,607	70,341	-	-	-	-	1,436,154	7,621,102
Buildings, improvements and other facilities	-	49,675,721	12,561,915	1,288,233	16,537,389	5,128,216	1,687,117	-	28,039,088	114,917,679
Vehicles	-	-	-	3,067,980	18,253,266	-	-	-	235,857	21,557,103
Furniture and equipment	75,847	4,056,091	131,412	2,003,061	3,599,272	70,084	1,631,620	-	2,492,121	14,059,508
Other	5,000	2,699,782	-	503,976	-	-	-	-	-	3,208,758
Less accumulated depreciation	183,865	58,565,857	24,318,040	7,119,372	40,074,617	5,198,300	3,443,947	0	33,779,702	172,683,700
	139,979	18,107,269	6,492,716	5,431,246	13,190,404	1,625,147	2,214,223	-	6,580,038	53,781,022
Net capital assets	43,886	40,458,588	17,825,324	1,688,126	26,884,213	3,573,153	1,229,724	0	27,199,664	118,902,678
Other assets										
Deferred bond issue costs	-	232,389	-	-	-	-	-	-	-	232,389
Other assets	-	-	4,250	1,700	-	-	-	-	-	5,950
Total other assets	0	232,389	4,250	1,700	0	0	0	0	0	238,339
Total noncurrent assets	2,896,948	43,866,475	18,114,826	5,348,080	26,884,213	3,573,153	1,229,724	0	27,199,664	129,113,083
Total assets	\$ 3,041,314	\$ 46,507,275	\$ 19,683,231	\$ 10,167,022	\$ 29,768,974	\$ 4,155,022	\$ 2,039,579	\$ 224,337	\$ 41,196,888	\$ 156,783,642

Liabilities and Net Assets

Current liabilities

Accounts payable	\$	-	\$	224,970	\$	34,300	\$	309,872	\$	56,393	\$	152,320	\$	44,646	\$	3,959	\$	715,908	\$	1,542,368
Accrued wages payable and related liabilities		3,405		115,405		793		-		695,747		-		-		14,602		-		829,952
Accrued compensated absences		-		198,817		-		-		-		-		-		-		-		198,817
Bonds payable - current portion		-		1,205,000		-		-		-		-		-		-		-		1,205,000
Notes payable - current portion		-		-		-		-		-		126,318		-		-		-		126,318
Capital lease payable - current portion		-		-		-		-		-		-		-		-		65,154		65,154
Deferred revenue		-		81,907		-		113,728		-		431,074		283,976		195,826		355,486		1,461,997
Accrued expenses and other		1,497		518,881		24,074		426,618		29,998		48,366		121,754		-		-		1,171,188
Total current liabilities		4,902		2,344,980		59,167		850,218		782,138		758,078		450,376		214,387		1,136,548		6,600,794

Noncurrent liabilities

Bonds payable, net of unamortized premium		-		19,850,097		-		-		-		-		-		-		-		19,850,097
Capital lease payable		-		-		-		-		-		-		-		-		1,119,146		1,119,146
Compensated absences		-		-		-		-		-		-		-		-		525,537		525,537
Total noncurrent liabilities		0		19,850,097		0		0		0		0		0		0		1,644,683		21,494,780

Total liabilities

		4,902		22,195,077		59,167		850,218		782,138		758,078		450,376		214,387		2,781,231		28,095,574
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Net Assets

Invested in capital assets, net of related debt		43,886		19,635,880		17,825,323		1,688,126		26,884,213		3,573,153		1,229,724		-		26,015,364		96,895,669
Restricted - expendable		1,848,913		3,215,968		285,252		3,658,254		1,883,687		-		-		-		1,484,108		12,376,182
Unrestricted		1,143,613		1,460,350		1,513,489		3,970,424		218,936		(176,209)		359,479		9,950		10,916,185		19,416,217
Total net assets		3,036,412		24,312,198		19,624,064		9,316,804		28,986,836		3,396,944		1,589,203		9,950		38,415,657		128,688,068

Total liabilities and net assets

	\$	3,041,314	\$	46,507,275	\$	19,683,231	\$	10,167,022	\$	29,768,974	\$	4,155,022	\$	2,039,579	\$	224,337	\$	41,196,888	\$	156,783,642
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City of Little Rock, Arkansas
Statement of Activities
Discretely Presented Component Units - Nonmajor
Year Ended December 31, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Central Arkansas Library	\$ 9,878,648	\$ 245,515	\$ 465,977	\$ -	\$ (9,167,156)	\$ -	\$ (9,167,156)
Workforce Investment Board	1,100,143	-	1,110,093	-	9,950	-	9,950
Total governmental activities	10,978,791	245,515	1,576,070	-	(9,157,206)	0	(9,157,206)
Business-type Activities							
Oakland Fraternal Cemetery	228,320	117,776	-	-	-	(110,544)	(110,544)
Advertising and Promotion Commission	11,486,757	2,289,847	-	-	-	(9,196,910)	(9,196,910)
Port Authority	1,322,152	1,122,904	-	-	-	(199,248)	(199,248)
Ambulance Authority	10,217,188	10,412,311	-	-	-	195,123	195,123
Central Arkansas Transit	11,965,790	1,513,066	-	-	-	(10,452,724)	(10,452,724)
Museum of Discovery	2,027,269	527,047	-	-	-	(1,500,222)	(1,500,222)
Arkansas Arts Center	4,382,802	2,829,483	-	-	-	(1,553,319)	(1,553,319)
Total business-type activities	41,630,278	18,812,434	0	0	0	(22,817,844)	(22,817,844)
Total component units	\$ 52,609,069	\$ 19,057,949	\$ 1,576,070	\$ 0	(9,157,206)	(22,817,844)	(31,975,050)
General revenues							
General property taxes					8,752,041	-	8,752,041
Sales taxes					-	7,231,497	7,231,497
Investment income and unrealized gains					165,956	661,168	827,124
Grants and contributions not restricted to specific programs					1,639,864	12,030,671	13,670,535
Other					143,093	15,227,646	15,370,739
Total general revenues					10,700,954	35,150,982	45,851,936
Change in Net Assets					1,543,748	12,333,138	13,876,886
Net Assets, Beginning of Year					36,881,859	77,929,323	114,811,182
Net Assets, End of Year					\$ 38,425,607	\$ 90,262,461	\$ 128,688,068

City of Little Rock, Arkansas
Combining Statement of Cash Flows
Discretely Presented Component Units
Year Ended December 31, 2003

	Wastewater Utility	National Airport	Other Component Units	Total
Operating Activities				
Receipts from customers	\$ 27,190,858	\$ 16,335,473	\$ 16,130,633	\$ 59,656,964
Other receipts	336,449	258,657	2,258,172	2,853,278
Payments to employees	(11,471,928)	(4,990,173)	(22,568,057)	(39,030,158)
Payments to suppliers	(1,746,426)	(5,536,723)	(3,887,207)	(11,170,356)
Payments for contractual services	(1,783,370)	-	(4,724,624)	(6,507,994)
Payments for utilities	(1,215,527)	-	(1,188,649)	(2,404,176)
Other payments	(1,434,106)	-	(2,067,464)	(3,501,570)
Net cash provided by (used in) operating activities	<u>9,875,950</u>	<u>6,067,234</u>	<u>(16,047,196)</u>	<u>(104,012)</u>
Noncapital Financing Activities				
Donations, contributions and operating grants/subsidies	-	-	10,024,918	10,024,918
Local tax levy supporting operations	-	-	6,746,309	6,746,309
Other	-	-	297,963	297,963
Net cash provided by noncapital financing activities	<u>0</u>	<u>0</u>	<u>17,069,190</u>	<u>17,069,190</u>
Capital and Related Financing Activities				
Purchase of capital assets	(6,375,957)	(15,255,761)	(18,382,107)	(40,013,825)
Proceeds from sale of capital assets	857,660	8,823	-	866,483
Contributions, donations and grants	-	10,762,136	14,858,149	25,620,285
Passenger facility charge	-	4,398,750	-	4,398,750
Intergovernmental revenue received for debt service	-	-	1,880,269	1,880,269
Local tax levy used for debt service	-	-	544,561	544,561
Proceeds from issuance of short-term financing	-	-	21,121	21,121
Proceeds from issuance of long-term debt	-	7,060,000	188,798	7,248,798
Principal paid on long-term debt	(1,594,617)	(8,832,352)	(1,075,000)	(11,501,969)
Interest paid on long-term debt	(1,999,172)	(1,672,764)	(1,357,698)	(5,029,634)
Other	171,172	160,314	138,687	470,173
Net cash used in capital and related financing activities	<u>(8,940,914)</u>	<u>(3,370,854)</u>	<u>(3,183,220)</u>	<u>(15,494,988)</u>
Investing Activities				
Proceeds from sale of investments	-	4,856,182	9,006,900	13,863,082
Purchase of investments	-	(5,144,312)	(6,946,497)	(12,090,809)
Interest received	175,056	349,790	678,424	1,203,270
Net cash provided by investing activities	<u>175,056</u>	<u>61,660</u>	<u>2,738,827</u>	<u>2,975,543</u>
Increase in Cash and Cash Equivalents	1,110,092	2,758,040	577,601	4,445,733
Cash and Cash Equivalents, Beginning of Year	<u>5,923,030</u>	<u>27,729,133</u>	<u>4,682,298</u>	<u>38,334,461</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,033,122</u>	<u>\$ 30,487,173</u>	<u>\$ 5,259,899</u>	<u>\$ 42,780,194</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided By (Used In) Operating Activities**

Operating income (loss)	\$ 5,388,195	\$ (120,683)	\$ (21,630,232)	\$ (16,362,720)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization expense	4,924,975	5,416,154	5,286,241	15,627,370
Other	-	-	54,758	54,758
Changes in assets and liabilities				
Receivables, net	(284,083)	301,021	(488,910)	(471,972)
Prepaid expenses	(54,099)	(11,870)	85,257	19,288
Inventories	(57,115)		88,641	31,526
Other assets			(52,232)	(52,232)
Accounts payable	(75,411)	273,654	63,728	261,971
Accrued expenses	33,488	208,958	79,988	322,434
Other liabilities			465,565	465,565
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	\$ <u>9,875,950</u>	\$ <u>6,067,234</u>	\$ <u>(16,047,196)</u>	\$ <u>(104,012)</u>

Noncash Capital Activities

During 2003, the Little Rock Wastewater Utility received donated capital assets in the amount of \$3,248,525.

During 2003, the Little Rock National Airport had accruals to leased property in the amount of \$713,448, net of depreciation of \$1,238,098.

City of Little Rock, Arkansas
Combining Statement of Cash Flows
Discretely Presented Component Units - Enterprise - Nonmajor
Year Ended December 31, 2003

	Oakland Fraternal Cemetery	Advertising And Promotion Commission	Port Authority	Ambulance Authority	Central Arkansas Transit	Museum of Discovery	Arkansas Arts Center	Total
Operating Activities								
Receipts from customers	\$ 117,368	\$ 1,364,898	\$ 1,302,376	\$ 9,481,239	\$ 1,463,760	\$ 540,119	\$ 1,860,873	\$ 16,130,633
Other receipts	-	950,699	-	182,781	50,149	-	1,074,543	2,258,172
Payments to employees	-	(5,181,538)	(564,387)	(7,630,560)	(6,724,263)	(475,527)	(1,991,782)	(22,568,057)
Payments to suppliers	-	(201,241)	(81,084)	(1,707,836)	(1,140,515)	(42,167)	(714,364)	(3,887,207)
Payments for contractual services	-	(2,110,891)	(151,525)	-	(1,695,932)	(291,181)	(475,095)	(4,724,624)
Payments for utilities	-	(695,002)	(24,397)	(186,814)	-	(77,970)	(204,466)	(1,188,649)
Other payments	(214,915)	(479,269)	(124,689)	-	(27,999)	(345,871)	(874,721)	(2,067,464)
Net cash provided by (used in) operating activities	(97,547)	(6,352,344)	356,294	138,810	(8,074,800)	(692,597)	(1,325,012)	(16,047,196)
Noncapital Financing Activities								
Donations, contributions and operating grants/subsidies	-	-	-	-	7,545,034	1,061,571	1,418,313	10,024,918
Local tax levy supporting operations	-	6,746,309	-	-	-	-	-	6,746,309
Other	8,560	-	-	-	-	270,798	18,605	297,963
Net cash provided by noncapital financing activities	8,560	6,746,309	0	0	7,545,034	1,332,369	1,436,918	17,069,190
Capital and Related Financing Activities								
Purchase of capital assets	(2,965)	(36,144)	(4,179,219)	(768,962)	(12,949,849)	(227,732)	(217,236)	(18,382,107)
Contributions, donations and grants	-	588	3,527,203	-	11,330,358	-	-	14,858,149
Intergovernmental revenue received for debt service	-	1,880,269	-	-	-	-	-	1,880,269
Local tax levy used for debt service	-	544,561	-	-	-	-	-	544,561
Proceeds from issuance of short-term financing	-	-	-	-	-	21,121	-	21,121
Proceeds from issuance of long-term debt	-	188,798	-	-	-	-	-	188,798
Principal paid on long-term debt	-	(1,075,000)	-	-	-	-	-	(1,075,000)
Interest paid on long-term debt	-	(1,349,830)	-	-	-	(7,868)	-	(1,357,698)
Other	-	(92,200)	41,065	189,822	-	-	-	138,687
Net cash provided by (used in) capital and related financing activities	(2,965)	61,042	(610,951)	(579,140)	(1,619,491)	(214,479)	(217,236)	(3,183,220)
Investing Activities								
Proceeds from sale of investments	180,000	746,994	-	7,737,699	-	-	342,207	9,006,900
Purchase of investments	(260,677)	(985,817)	-	(7,612,279)	2,197,208	-	(284,932)	(6,946,497)
Interest received	206,658	271,846	17,473	123,782	39,499	3,331	15,835	678,424
Net cash provided by (used in) investing activities	125,981	33,023	17,473	249,202	2,236,707	3,331	73,110	2,738,827
Increase (Decrease) in Cash and Cash Equivalents	34,029	488,030	(237,184)	(191,128)	87,450	428,624	(32,220)	577,601
Cash and Cash Equivalents, Beginning of Year	66,361	472,624	1,652,570	587,949	1,544,808	119,513	238,473	4,682,298
Cash and Cash Equivalents, End of Year	\$ 100,390	\$ 960,654	\$ 1,415,386	\$ 396,821	\$ 1,632,258	\$ 548,137	\$ 206,253	\$ 5,259,899

Reconciliation of Operating Income (Loss) to Net Cash Provided By

(Used In) Operating Activities

Operating income (loss)	\$	(110,544)	\$	(8,017,166)	\$	(199,248)	\$	195,123	\$	(10,452,724)	\$	(1,492,354)	\$	(1,553,319)	\$	(21,630,232)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities																
Depreciation and amortization expense		11,583		1,508,554		439,684		658,761		2,098,552		367,361		201,746		5,286,241
Other		-		1,022		-		-		53,736		-		-		54,758
Changes in assets and liabilities																
Receivables, net		1,414		(32,932)		179,199		(773,301)		180,686		13,072		(57,048)		(488,910)
Prepaid expenses		-		108,516		(4,849)		-		(47,118)		28,708		-		85,257
Inventories		-		-		-		(24,917)		113,006		(3,148)		3,700		88,641
Other assets		-		-		-		(37,737)		-		-		(14,495)		(52,232)
Accounts payable		-		12,286		(58,825)		79,826		(30,636)		107,919		(46,842)		63,728
Accrued expenses		-		(14,531)		-		60,219		9,698		46,337		(21,735)		79,988
Other liabilities		-		81,907		333		(19,164)		-		239,508		162,981		465,565
Net cash provided by (used in) operating activities	\$	(97,547)	\$	(6,352,344)	\$	356,294	\$	138,810	\$	(8,074,800)	\$	(692,597)	\$	(1,325,012)	\$	(16,047,196)

STATISTICAL SECTION

City of Little Rock, Arkansas
Government-wide Expenditures By Function
December 31, 2003

<i>Governmental Activities</i>	2002	2003
General government	\$ 32,396,254	\$ 35,574,263
Public works	15,012,426	14,080,582
Parks and recreation services	8,369,683	7,794,235
Fire	24,049,681	26,118,472
Police	45,155,190	46,825,265
Economic development	1,010,845	1,212,133
Education	2,165,955	147,691
Housing and neighborhood programs	6,291,854	8,336,416
Interest and other debt related expenses	<u>2,846,062</u>	<u>1,982,712</u>
	<u>137,297,950</u>	<u>142,071,769</u>
 <i>Business-type Activities</i>		
Presidential park	1,175,807	1,007,338
Waste disposal	12,259,655	11,150,818
Rivermarket garage	625,335	732,316
Riverfront park	784,993	839,162
Zoo	2,973,358	2,986,464
Impound services	1,049,717	1,165,744
Golf courses	2,071,829	1,785,887
Fitness center	988,999	807,110
Concessions services	<u>305,706</u>	<u>234,171</u>
	<u>22,235,399</u>	<u>20,709,010</u>
 Total Primary Government	 <u>\$ 159,533,349</u>	 <u>\$ 162,780,779</u>

Note: This is the second year of implementation for GASB 34; therefore, additional years will be presented in the future for comparison.

City of Little Rock, Arkansas
Government-wide Revenues
December 31, 2003

Fiscal Year	Program Revenues			General Revenues						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Sales Taxes	Utility		Unrestricted Investment Earnings	Grants and Contributions Not Restricted to Specific Programs	Total
						Franchise Fees				
2002	\$ 39,312,783	\$ 5,542,201	\$ 3,886,509	\$ 33,604,029	\$ 52,651,567	\$ 20,662,981	\$ 1,830,354	\$ 10,127,862	\$ 167,618,286	
2003	45,581,503	5,977,538	2,120,944	33,090,573	54,800,103	20,890,103	838,282	22,165,634	185,464,680	

Note: This is the second year of implementation for GASB 34; therefore, additional years will be presented in the future for comparison.

City of Little Rock, Arkansas

General Governmental Expenditures By Function

Last Ten Years

Year	General Government	Public Works	Parks and Recreation	Fire Department	Police Department	Housing	Debt Service	Total
1994	\$ 17,486,946	\$ 9,453,694	\$ 8,419,537	\$ 16,072,344	\$ 23,104,626	\$ —	\$ —	\$ 74,537,147
1995	16,727,652	10,248,741	8,705,939	17,515,455	25,164,997	—	—	78,362,784
1996	20,601,947	10,434,352	9,080,773	18,013,336	28,736,806	—	—	86,867,214
1997	20,843,027	11,144,759	9,027,538	18,947,394	31,349,489	1,723,423	—	93,035,630
1998	19,341,962	11,992,820	5,993,408	20,029,742	33,556,985	3,763,609	—	94,678,526
1999	19,887,154	12,455,528	5,841,945	21,216,068	35,747,276	2,715,732	11,234,009	109,097,712
2000	17,871,392	14,252,388	6,338,521	22,306,492	37,805,145	3,743,189	11,564,784	113,881,911
2001	23,524,497	14,786,617	6,726,829	22,796,308	39,077,823	3,790,440	34,012,761	144,715,275
2002	32,929,128	22,794,707	8,228,295	23,138,524	44,459,817	9,041,226	9,377,825	149,969,522
2003	31,993,462	17,928,685	7,957,319	28,040,943	44,059,630	9,676,745	11,604,070	151,260,854

Note: Amounts shown include expenditures of the General and Street funds. In 1998, the City began allocating general and administrative costs to selected functions. In 1998, the golf, zoo and fitness center divisions were moved to the Parks Services Enterprise fund.

Beginning in 2000, total general governmental expenditures include expenditures of the debt service fund.

Beginning in 2002, all governmental expenditures were included in this schedule.

City of Little Rock, Arkansas

General Governmental Revenues By Source

Last Ten Years

Year	General Property Taxes	Sales Taxes	Licenses and Permits	Inter- Governmental	Charges for Services	Fines	Utility Franchises	Investment Income	Miscellaneous	Total
1994	\$ 16,826,893	\$ 33,660,617	\$ 5,439,011	\$ 18,809,540	\$ 8,047,274	\$ 1,871,950	\$ 15,961,619	\$ 3,894,374	\$ 3,259,628	\$ 107,770,906
1995	17,175,889	40,816,090	6,372,344	20,675,398	8,386,078	2,404,081	16,660,507	4,540,730	8,783,493	125,814,610
1996	17,681,642	42,411,415	5,920,580	22,591,046	7,831,010	2,342,056	17,247,978	5,541,312	6,986,068	128,553,107
1997	19,884,272	44,001,614	5,721,198	20,577,204	8,456,481	2,563,059	19,107,881	3,774,025	4,070,666	128,156,400
1998	20,620,773	47,120,624	5,763,625	19,932,996	6,433,445	2,846,202	18,683,481	3,801,618	8,000,569	133,203,333
1999	23,871,010	51,702,310	6,181,976	17,220,874	7,403,101	4,256,702	18,559,057	2,987,259	5,160,408	137,342,697
2000	22,868,735	53,336,605	7,431,080	14,598,419	7,450,835	3,201,807	19,069,532	4,960,856	7,496,166	140,414,035
2001	24,091,887	53,593,748	5,934,438	22,689,575	5,685,858	3,023,609	21,734,193	2,407,670	5,461,012	144,621,990
2002	24,357,097	52,651,567	8,268,835	19,556,572	5,789,188	3,803,560	20,662,981	1,450,829	2,511,736	139,052,365
2003	29,372,970	51,240,765	8,708,523	18,621,039	4,759,347	5,313,622	20,890,103	484,545	4,040,306	143,431,220

Note: Amounts shown include revenues of the general, special revenue, debt service and capital projects funds.

Starting in 1998, a portion of Parks and Recreation revenue (charges for services) moved to the Recreation Services fund.

City Of Little Rock, Arkansas
Property Tax Levies and Collections
Last Ten Years

Year	Total Tax Levy in Prior Year	Collection of Taxes Levied in Prior Year Collected During Current Period	Percentage of Levy Collected	Prior Year's Collections	Total Collections	Percentage of Total Collections to Tax Levy
1994	\$ 22,631,799	\$ 20,853,606	92.14%	\$ 1,386,701	\$ 22,240,307	98.27%
1995	22,720,938	21,175,275	93.20%	1,321,567	22,496,842	99.01%
1996	24,475,526	22,461,215	91.77%	1,125,487	23,586,702	96.37%
1997	26,963,108	24,787,129	91.93%	1,534,932	26,322,061	97.62%
1998	27,797,124	25,538,110	91.87%	1,391,375	26,929,485	96.88%
1999	28,643,946	26,264,228	91.69%	1,585,989	27,850,217	97.23%
2000	27,569,362	24,545,114	89.03%	1,825,803	26,370,917	95.65%
2001	29,018,683	26,562,458	91.53%	2,173,776	28,736,234	99.03%
2002	30,002,023	27,439,091	91.45%	1,315,458	28,754,549	95.84%
2003	30,429,999	27,897,089	91.68%	1,093,861	28,990,950	95.27%

Note: Property assessments are made, tax rates (milleages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following years. Data is not available to show the current level by year of outstanding delinquent taxes.

Beginning in 1995, the County Treasurer changed the method of reporting total tax levies. The reporting change inflated the total tax levy approximately three percent, causing a significant reduction in the collection percentages reflected above.

City Of Little Rock, Arkansas
Assessed and Appraised Value of Taxable Property
Last Ten Years

Year		Real Property		Utility Property	
		Real	Personal	Real	Personal
1994	Assessed	\$ 1,139,501,994	\$ 410,580,233	\$ 15,337,073	\$ 64,634,515
	Appraised	5,697,509,970	2,052,901,165	76,685,365	323,172,575
1995	Assessed	1,226,462,449	446,947,082	15,338,964	67,392,760
	Appraised	6,132,312,245	2,234,735,410	76,694,820	336,963,800
1996	Assessed	1,428,541,025	485,978,670	16,908,259	72,876,724
	Appraised	7,142,705,125	2,429,893,350	84,541,295	364,383,620
1997	Assessed	1,456,295,246	481,789,958	17,191,450	80,754,280
	Appraised	7,281,476,230	2,408,949,790	85,957,250	403,771,400
1998	Assessed	1,484,277,481	504,485,165	17,562,743	91,220,332
	Appraised	7,421,387,405	2,522,425,825	87,813,715	456,101,660
1999	Assessed	1,525,806,492	558,481,620	17,025,082	77,526,966
	Appraised	7,629,032,460	2,792,408,100	85,125,410	387,634,830
2000	Assessed	1,564,188,888	585,688,215	20,197,101	104,939,832
	Appraised	7,820,944,440	2,928,441,075	100,985,505	524,699,160
2001	Assessed	1,594,846,478	609,181,800	23,514,256	124,601,186
	Appraised	7,974,232,390	3,045,909,000	117,571,280	623,005,930
2002	Assessed	1,645,954,792	601,976,300	24,815,572	112,959,382
	Appraised	8,229,773,960	3,009,881,500	124,077,860	564,796,910
2003	Assessed	1,746,230,726	631,976,635	26,233,090	119,324,708
	Appraised	8,731,153,630	3,159,883,175	131,165,450	596,623,540

Note: Tax collection years are shown above. Assessments were made and certified the preceding year.

Source: Pulaski County Tax Assessor.

Note: Tax collections shown above do not include Act 9 Real Estate Valuations.

Total Property		Total
Real	Personal	
\$ 1,154,839,067	\$ 475,214,748	\$ 1,630,053,815
5,774,195,335	2,376,073,740	8,150,269,075
1,241,801,413	514,339,842	1,756,141,255
6,209,007,065	2,571,699,210	8,780,706,275
1,445,449,284	558,855,394	2,004,304,678
7,227,246,420	2,794,276,970	10,021,523,390
1,473,486,696	562,544,238	2,036,030,934
7,367,433,480	2,812,721,190	10,180,154,670
1,501,840,224	595,705,497	2,097,545,721
7,509,201,120	2,978,527,485	10,487,728,605
1,542,831,574	636,008,586	2,178,840,160
7,714,157,870	3,180,042,930	10,894,200,800
1,584,385,989	690,628,047	2,275,014,036
7,921,929,945	3,453,140,235	11,375,070,180
1,618,360,734	733,782,986	2,352,143,720
8,091,803,670	3,668,914,930	11,760,718,600
1,670,770,364	714,935,682	2,385,706,046
8,353,851,820	3,574,678,410	11,928,530,230
1,772,463,816	751,301,343	2,523,765,159
8,862,319,080	3,756,506,715	12,618,825,795

City of Little Rock, Arkansas
Property Tax Rates and Tax Levies
of Direct and Overlapping Governments
Last Ten Years

Local Tax Rates – Per \$1,000 of Assessed Value

Year	Little Rock		Pulaski County		Little Rock School District		Totals	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal
1994	\$ 12.73	\$ 12.73	\$ 10.20	\$ 10.20	\$ 43.90	\$ 43.90	\$ 66.83	\$ 66.83
1995	12.73	12.73	10.20	10.20	43.90	43.90	66.83	66.83
1996	12.43	12.43	10.20	10.20	41.40	41.40	64.03	64.03
1997	12.00	12.00	9.80	9.80	41.40	41.40	63.20	63.20
1998	12.00	12.00	10.10	10.10	41.40	41.40	63.50	63.50
1999	13.10	13.10	10.10	10.10	41.40	41.40	64.60	64.60
2000	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2001	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2002	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60
2003	13.10	13.10	10.10	10.10	46.40	46.40	69.60	69.60

Tax Levies				
1994	\$ 22,631,799	\$ 22,937,866	\$ 69,349,918	\$ 114,919,583
1995	22,720,938	23,782,478	70,717,147	117,220,563
1996	24,475,526	25,644,828	75,727,326	125,847,680
1997	26,963,108	27,940,374	81,491,677	136,395,159
1998	27,797,124	29,535,731	82,273,506	139,606,361
1999	28,643,946	27,675,504	87,122,906	143,442,356
2000	27,569,362	28,938,769	101,348,383	157,856,514
2001	29,018,683	30,105,515	103,862,006	162,986,204
2002	30,002,023	30,851,011	104,429,847	165,282,881
2003	30,429,999	32,572,873	109,860,977	172,863,849

Note: Property assessments are made, tax rates (milleages) are established, and taxes are levied in one year for payment by the taxpayer and collection by local governments the following year.

Taxes are due and payable on or before October 1. Taxes are recorded as delinquent after October 1 and a 10 percent penalty is added.

State statutory limits on City tax rate:

General operation	5 mills
General improvement bonds	Unlimited subject to voter approval
Industrial development bonds	5 mills
Firemen's pension and policemen's pension	1 mill each

City of Little Rock, Arkansas
Top Ten Employers
December 31, 2003

Employer	Type of Business	Number of Employees
State of Arkansas	Government	28,100
Federal Government	Government	9,400
University of Arkansas Medical Sciences	Education/Medical Services	7,800
Public School Districts	Education	7,411
Baptist Health	Medical Services	7,000
Little Rock Air Force Base	Government	4,500
St. Vincent Infirmiry Medical Center	Medical Services	4,200
Entergy Arkansas	Utility	3,254
Alltel Corporation	Telecommunications	2,734
Veterans Administration Hospitals	Medical Services	2,700

City of Little Rock, Arkansas
Computation of Legal Debt Margin
December 31, 2003

Computation of the City's legal debt margin as set forth in Amendments 78 and 62 to the Constitution of the State of Arkansas is as follows:

Assessed value	\$ 2,523,765,159	
General obligation debt limitation (20% of assessed value)		\$ 504,753,032
Short-term financing debt limitation (5% of assessed value)		<u>126,188,258</u>
Total Debt Limitation		\$ 630,941,290
General obligation and short-term financing debt outstanding	47,555,945	
Less amount available in debt service fund		<u>13,281,657</u>
Total amount of debt applicable to debt limitation		<u>34,274,288</u>
Legal debt margin		\$ <u>596,667,002</u>

City of Little Rock, Arkansas
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
Last Ten Years

Year	Population	Assessed Value	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994	176,870 (2)	\$ 1,630,053,815	\$ 28,261,156	1.73%	\$ 159.78
1995	176,870 (2)	1,756,141,255	52,701,421	3.01%	297.97
1996	181,280 (2)	2,004,304,678	46,459,570	2.32%	256.29
1997	181,280 (2)	2,036,030,934	38,888,605	1.91%	214.52
1998	183,951 (2)	2,097,545,721	31,290,644	1.49%	170.10
1999	183,951 (2)	2,178,840,160	48,596,434	2.23%	264.18
2000	183,133 (2)	2,275,014,036	40,126,743	1.76%	219.11
2001	183,133 (2)	2,352,143,720	33,479,841	1.42%	182.82
2002	183,133 (2)	2,385,706,046	38,893,210	1.63%	212.38
2003	183,133 (2)	2,523,765,159	34,274,288	1.36%	187.16

Source:

(2) Estimated

City of Little Rock, Arkansas
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt
to Total General Governmental Expenditures
Last Ten Years

Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures*	Ratio of Debt Service to Total General Governmental Expenditures
1994	\$ 1,135,000	\$ 2,532,153	\$ 3,667,153	\$ 74,537,147	4.9%
1995	4,055,000	2,113,225	6,168,225	78,362,784	7.9%
1996	5,990,000	3,090,685	9,080,685	86,867,214	10.5%
1997	7,050,000	2,766,607	9,816,607	93,035,630	10.6%
1998	6,420,000	2,258,545	8,678,545	94,678,526	9.2%
1999	7,705,000	3,004,142	10,709,142	109,097,712	9.8%
2000	4,015,000	2,240,514	6,255,514	113,881,911	5.5%
2001	3,035,000	1,909,676	4,944,676	144,715,275	3.4%
2002	7,385,000	2,706,179	10,091,179	149,969,522	6.7%
2003	9,660,000	1,932,911	11,592,911	151,260,854	7.7%

*Total general governmental expenditures include expenditures of the general and street funds.

Beginning in 2000, total general governmental expenditures include expenditures of the debt service fund.

City of Little Rock, Arkansas
Computation of Direct and Overlapping Bonded Debt
December 31, 2003

	Funds Available for Retirement	Percentage Applicable to Little Rock	Little Rock's Share of Bonded Debt
City of Little Rock	\$ 34,274,288	100%	\$ 34,274,288
Little Rock Public School District	<u>180,565,000</u>	100%	<u>180,565,000</u>
Total	<u>\$ 214,839,288</u>		<u>\$ 214,839,288</u>

City of Little Rock, Arkansas

Revenue Bond Coverage

Last Ten Years

	Operating Revenue (1)	Operating Expenses (2)	Net Revenue	Principal (3)	Debt Service Requirements		Coverage
					Interest	Total	
1994 Municipal Water Works	\$ 17,184,880	\$ 12,234,699	\$ 4,950,181	\$ 995,000	\$ 113,915	\$ 1,108,915	4.46
Wastewater Utility	21,875,468	9,063,616	12,811,852	895,225	1,481,589	2,376,814	5.39
Regional Airport	15,038,905	5,673,186	9,365,719	5,560,000	1,120,315	6,680,315	1.40
A&P Commission	9,107,998	6,615,728	2,492,270	805,000	1,635,459	2,440,459	1.02
Port Authority	<u>1,026,902</u>	<u>638,207</u>	<u>388,695</u>	<u>100,000</u>	<u>32,800</u>	<u>132,800</u>	<u>2.93</u>
Total	<u>\$ 64,234,153</u>	<u>\$ 34,225,436</u>	<u>\$ 30,008,717</u>	<u>\$ 8,355,225</u>	<u>\$ 4,384,078</u>	<u>\$ 12,739,303</u>	<u>2.36</u>
1995 Municipal Water Works	\$ 18,575,371	\$ 12,994,019	\$ 5,581,352	\$ 1,050,000	\$ 66,750	\$ 1,116,750	5.00
Wastewater Utility	17,679,419	9,934,562	7,744,857	1,278,449	1,818,149	3,096,598	2.50
Regional Airport	10,642,359	6,378,096	4,264,263	5,570,000	834,445	6,404,445	0.67
A&P Commission	9,175,430	6,804,641	2,370,789	780,000	1,689,460	2,469,460	0.96
Port Authority	<u>1,791,689</u>	<u>653,105</u>	<u>1,138,584</u>	<u>105,000</u>	<u>27,150</u>	<u>132,150</u>	<u>8.62</u>
Total	<u>\$ 57,864,268</u>	<u>\$ 36,764,423</u>	<u>\$ 21,099,845</u>	<u>\$ 8,783,449</u>	<u>\$ 4,435,954</u>	<u>\$ 13,219,403</u>	<u>1.60</u>
1996 Municipal Water Works	\$ 18,532,804	\$ 13,740,517	\$ 4,792,287	\$ 850,000	\$ 21,286	\$ 871,286	5.50
Wastewater Utility	17,597,511	10,127,885	7,469,626	1,331,364	1,770,825	3,102,189	2.41
Regional Airport	10,478,713	6,646,960	3,831,753	310,321	1,049,668	1,359,989	2.82
A&P Commission	9,486,674	7,139,481	2,347,193	805,000	1,661,381	2,466,381	0.95
Port Authority	<u>984,360</u>	<u>766,153</u>	<u>218,207</u>	<u>115,000</u>	<u>19,975</u>	<u>134,975</u>	<u>1.62</u>
Total	<u>\$ 57,080,062</u>	<u>\$ 38,420,996</u>	<u>\$ 18,659,066</u>	<u>\$ 3,411,685</u>	<u>\$ 4,523,135</u>	<u>\$ 7,934,820</u>	<u>2.35</u>
1997 Municipal Water Works	\$ 18,798,444	\$ 14,377,046	\$ 4,421,398	\$ —	\$ —	\$ —	—
Wastewater Utility	17,466,112	10,882,931	6,583,181	1,380,003	1,720,112	3,100,115	2.12
Regional Airport	10,971,046	6,867,016	4,104,030	2,948,373	1,640,710	4,589,083	0.89
A&P Commission	9,652,940	6,910,855	2,742,085	830,000	1,629,583	2,459,583	1.11
Port Authority	<u>965,377</u>	<u>842,748</u>	<u>122,629</u>	<u>120,000</u>	<u>12,900</u>	<u>132,900</u>	<u>0.92</u>
Total	<u>\$ 57,853,919</u>	<u>\$ 39,880,596</u>	<u>\$ 17,973,323</u>	<u>\$ 5,278,376</u>	<u>\$ 5,003,305</u>	<u>\$ 10,281,681</u>	<u>1.75</u>
1998 Municipal Water Works	\$ 19,363,560	\$ 15,534,727	\$ 3,828,833	\$ —	\$ —	\$ —	—
Wastewater Utility	17,900,210	11,753,474	6,146,736	1,434,395	1,663,738	3,098,133	1.98
Regional Airport	11,511,850	7,034,976	4,476,874	1,020,000	1,555,344	2,575,344	1.74
A&P Commission	1,794,408	7,123,606	(5,329,198)	870,000	1,594,722	2,464,722	(2.16)
Port Authority	<u>1,246,059</u>	<u>827,689</u>	<u>418,370</u>	<u>130,000</u>	<u>6,000</u>	<u>136,000</u>	<u>3.08</u>
Total	<u>\$ 51,816,087</u>	<u>\$ 42,274,472</u>	<u>\$ 9,541,615</u>	<u>\$ 3,454,395</u>	<u>\$ 4,819,804</u>	<u>\$ 8,274,199</u>	<u>1.15</u>
1999 Municipal Water Works	\$ 20,498,784	\$ 16,811,195	\$ 3,687,589	\$ 172,000	\$ 7,026	\$ 179,026	20.60
Wastewater Utility	17,696,083	12,166,208	5,529,875	1,599,404	1,709,981	3,309,385	1.67
Regional Airport	40,116,961	7,442,719	32,674,242	7,110,000	1,224,642	8,334,642	3.92
A&P Commission	10,213,751	7,730,443	2,483,308	900,000	1,556,442	2,456,442	1.01
Port Authority	<u>905,763</u>	<u>707,691</u>	<u>198,072</u>	<u>35,000</u>	<u>875</u>	<u>35,875</u>	<u>5.52</u>
Total	<u>\$ 89,431,342</u>	<u>\$ 44,858,256</u>	<u>\$ 44,573,086</u>	<u>\$ 9,816,404</u>	<u>\$ 4,498,966</u>	<u>\$ 14,315,370</u>	<u>3.11</u>

City of Little Rock, Arkansas

Revenue Bond Coverage (Continued)

Last Ten Years

	Operating Revenue (1)	Operating Expenses (2)	Net Revenue	Principal (3)	Debt Service Requirements Interest	Total	Coverage
2000 Municipal Water Works	\$ 22,725,615	\$ 17,153,814	\$ 5,571,801	\$ —	\$ —	\$ —	—
Wastewater Utility	20,422,070	13,019,665	7,402,405	1,855,200	1,668,838	3,524,038	2.10
Regional Airport	12,344,600	8,829,907	3,514,693	2,060,000	2,180,334	4,240,334	0.83
A&P Commission	10,808,321	8,049,902	2,758,419	980,000	1,468,162	2,448,162	1.13
Port Authority	<u>1,069,602</u>	<u>885,582</u>	<u>184,020</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 67,370,208</u>	<u>\$ 47,938,870</u>	<u>\$ 19,431,338</u>	<u>\$ 4,895,200</u>	<u>\$ 5,317,334</u>	<u>\$ 10,212,534</u>	<u>1.90</u>
2001 Municipal Water Works	\$ 9,745,708	\$ 9,703,581	\$ 42,127	\$ —	\$ —	\$ —	—
Wastewater Utility	20,295,613	14,379,127	5,916,486	785,200	584,916	1,370,116	4.32
Regional Airport	15,477,681	9,813,814	5,663,867	1,290,000	1,905,199	3,195,199	1.77
A&P Commission	9,562,149	8,631,913	930,236	980,000	1,470,393	2,450,393	0.38
Port Authority	<u>1,557,904</u>	<u>897,932</u>	<u>659,972</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 56,639,055</u>	<u>\$ 43,426,367</u>	<u>\$ 13,212,688</u>	<u>\$ 3,055,200</u>	<u>\$ 3,960,508</u>	<u>\$ 7,015,708</u>	<u>1.88</u>
2002 Wastewater Utility	\$ 21,136,586	\$ 16,208,850	\$ 4,927,736	\$ 1,820,787	\$ 1,432,987	\$ 3,253,774	1.51
Regional Airport	16,578,846	10,130,512	6,448,334	1,365,000	1,776,477	3,141,477	2.05
A&P Commission	<u>11,176,391</u>	<u>9,454,023</u>	<u>1,722,368</u>	<u>1,030,000</u>	<u>1,422,373</u>	<u>2,452,373</u>	<u>0.70</u>
Total	<u>\$ 48,891,823</u>	<u>\$ 35,793,385</u>	<u>\$ 13,098,438</u>	<u>\$ 4,215,787</u>	<u>\$ 4,631,837</u>	<u>\$ 8,847,624</u>	<u>1.48</u>
2003 Wastewater Utility	\$ 27,811,390	\$ 19,474,453	\$ 8,336,937	\$ 1,594,617	\$ 1,999,172	\$ 3,593,789	2.32
Regional Airport	16,293,109	12,689,242	3,603,867	1,772,352	1,672,764	3,445,116	1.05
A&P Commission	<u>11,401,613</u>	<u>8,798,459</u>	<u>2,603,154</u>	<u>886,202</u>	<u>1,349,830</u>	<u>2,236,032</u>	<u>1.16</u>
Total	<u>\$ 55,506,112</u>	<u>\$ 40,962,154</u>	<u>\$ 14,543,958</u>	<u>\$ 4,253,171</u>	<u>\$ 5,021,766</u>	<u>\$ 9,274,937</u>	<u>1.57</u>

Note: Amounts shown are for the City's Discretely Presented Component Units:

- (1) Includes proceeds from long-term debt and various nonoperating revenues (intergovernmental revenue and local tax levy).
- (2) Excludes depreciation.
- (3) Includes bond defeasance.

City of Little Rock, Arkansas
Demographic Statistics
Last Ten Years

Year	Population	Per Capita Income		Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Percentage Rate
1994	178,850 (2)	20,188	(6)	32.4	12.8	27,135	4.4%
1995	180,590 (2)	20,746	(6)	32.7	13.5	26,926	3.5%
1996	181,280 (2)	20,746	(6)	32.3	13.5	27,001	3.3%
1997	181,280 (2)	24,029	(6)	32.3	13.5	27,351	3.4%
1998	183,951 (2)	24,906	(6)	32.3	13.5	27,371	3.4%
1999	183,951 (2)	25,889	(6)	32.3	13.5	27,511	4.1%
2000	183,133 (7)	25,889	(6)	33.9	13.5	27,400	3.1%
2001	183,133 (7)	25,889	(6)	34.5	13.5	27,387	4.3%
2002	183,133 (7)	23,209	(6)	34.5	13.4	27,574	4.3%
2003	183,133 (7)	23,209	(6)	34.5	13.4	27,980	4.6%

(2) Estimated
Registered students 25,928 (5)
Kindergarten 2,052 (5)
27,980

(5) As of October 2002, enrollment

(6) State Library

(7) 2000 Census

Source: Metroplan – Council of Local Governments, Pulaski County, Little Rock Public Schools, State Library

City of Little Rock, Arkansas

Property Value, New Construction and Bank Deposits

Last Ten Years

Year	Commercial Construction (1)			Residential Construction (1)			Bank Deposits			Property Value (3)		
	Number of Permits	Value	Number of Permits	Value	(in thousands)	(2)	Real	Personal	Utility			
1994	107	\$ 88,711,602	653	\$ 112,877,658	\$ 3,188,094	\$ 5,697,509,970	\$ 2,052,901,165	\$ 399,857,940				
1995	84	48,845,453	486	77,814,299	4,446,373	6,132,312,245	2,234,735,410	413,658,620				
1996	159	119,408,307	496	87,379,145	5,282,203	7,142,705,125	2,429,893,350	448,924,915				
1997	94	90,761,244	458	115,561,179	3,864,181	7,281,476,230	2,408,949,790	489,728,650				
1998	84	68,475,000	556	110,179,000	1,981,092	7,421,387,405	2,522,425,825	543,915,375				
1999	138	100,030,893	555	101,877,483	3,916,946	7,629,032,460	2,792,408,100	472,760,240				
2000	139	193,487,215	510	101,839,118	2,712,083	7,820,944,440	2,928,441,075	625,684,665				
2001	104	164,063,228	484	122,786,690	2,832,465	7,974,232,390	3,045,909,000	740,577,210				
2002	78	180,659,144	590	137,152,590	3,602,180	8,229,773,960	3,009,881,500	688,874,770				
2003	96	124,394,465	727	175,801,381	3,362,318	8,731,153,630	3,159,883,175	727,788,990				

Sources:

- (1) City of Little Rock Neighborhood and Planning Department
- (2) Chamber of Commerce
- (3) Pulaski County Tax Assessor

City of Little Rock, Arkansas

Insurance Coverage

December 31, 2003

Name of Company	Policy Number	Policy Period From To	Details of Coverage	Co-Insurance	Liability Limits	Annual Premium
Real property insurance – Rhodes and Associates	2234843	10/01/03 09/30/04	Blanket coverage for various City buildings and structures, against fire, windstorm, hail, explosion, riots, smoke, vandalism, etc. Coverage includes damage to buildings and contents. \$5,000 deductible per occurrence.	None	Blanket Coverage	\$ 284,328
Vehicle liability insurance – Municipal League	N/A	01/01/03 12/31/03	Bodily injury and property damage liability coverage on owned, non-owned and hired rolling stock (automobiles, trucks, heavy equipment) under the control of the City. \$1,000 deductible per occurrence on property damage liability.	None	\$25/50/25 (thousands)	327,048
Honesty and faithful performance bond – Arkansas Fidelity Bond Trust	Bond #FBTF10	01/01/03 12/31/03	Honesty and faithful performance coverage for City employees and officials pursuant to State Act Number 728 of 1987. Excess coverage liability limits are in effect for certain high exposure officials.	None	\$250,000 per year employee	8,243
Public official liability – Municipal League	N/A	01/01/03 12/31/03	\$10,000,000 each and every loss and maximum aggregate excess of the retained limit will pay no more than one-fourth of program assets to any one judgment.	None	\$10,000,000 each and every loss	197,162
Workers' Compensation – Self-Insured – Mid West Employee Casualty Company – Excess Workers' Compensation	3406-S0-AR	07/01/03 06/30/04	Self-insured: \$400,000 specific retention. Claims are handled through a third party administrator and excess reinsurance is maintained.	Yes – Midwest Employers Casualty Company	\$1,000,000 employer liability-injury limit statutory	93,911

Miscellaneous Statistical Data December 31, 2003

Date of Incorporation	November 07, 1831
Date of Adoption of Charter	November 02, 1835
Form of Government	Director-Manager
Date of Director-Manager Government	November 11, 1957

Area – Square Miles	122
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Miles of Streets and Alleys

Streets	2,399
Graded and surface treatment	426
Paved – permanent (concrete and asphalt)	1,972
Alleys	63
Drainage ditches maintained	750

Miles of Sewer

Storm	350
Sanitary	1,207

Building Permits

Year	Number Issued	Estimated Cost
1994	3,505	\$ 265,406,495
1995	2,120	204,102,908
1996	2,351	281,153,259
1997	2,315	277,926,135
1998	2,330	295,624,822
1999	2,613	309,887,249
2000	2,243	488,530,453
2001	4,384	300,318,597
2002	4,561	489,610,493
2003	4,432	458,553,311

Fire Protection

Number of stations	20
Number of uniformed employees	373

Police Protection

Number of stations	4
Number of uniformed employees	537

Miscellaneous Statistical Data (Continued)
December 31, 2003

Recreation

Total acres	5,745
Number of parks, including park development	52
Number of playgrounds	48
Number of tennis courts	52
Number of basketball courts	36
Number of museums	1
Number of golf courses	3
Number of ball fields	41
Number of play fields	12
Number of zoos	1
Number of adult centers	1
Number of community centers	4
Number of fitness centers	1
Number of swimming pools	4
Number of soccer fields	9
Number of pavilions	26
Number of volleyball courts	9
Total park attendance – 2003	1,021,818
Total zoo attendance – 2003	294,782
Total zoo outreach program – 2003	92,158

Education

Number of school buildings	50
Number of teachers	2,002
Number of registered students, except kindergarten	25,928
Number of registered students in kindergarten	2,056

Average Daily Attendance

Elementary schools	10,892
High schools	12,660
Special schools	320
Kindergarten	2,056

Miscellaneous Statistical Data (Continued)
December 31, 2003

Employees as of December 31, 2003:

	Total	Full Time	Seasonal and Part Time
City Government			
AFSCME	470	470	
IAFF	373	373	
FOP	537	537	
Nonunion	<u>968</u>	<u>685</u>	<u>283</u>
	<u>2,348</u>	<u>2,065</u>	<u>283</u>
Commissions			
Wastewater Utility	231	222	9
Little Rock National Airport	133	132	1
Advertising and Promotion	195	115	80
Port Authority	9	8	1
Ambulance Authority	241	165	76
Central Arkansas Transit Authority	160	151	9
Museum of Discovery	35	14	21
Arkansas Arts Center	80	42	38
Central Arkansas Library System	<u>188</u>	<u>118</u>	<u>70</u>
	<u>1,272</u>	<u>967</u>	<u>305</u>
Total employees	<u>3,620</u>	<u>3,032</u>	<u>588</u>
Population			
1900			38,165
1910			45,941
1920			65,142
1930			81,657
1940			88,039
1950			102,310
1960			107,813
1962 Special census			125,671
1964 Special census			128,929
1970 Census			144,824
1974 Special census			139,703
1978 Special census			144,824
1980 Census			159,024
1985 Special census			178,134
1987 Area Planning Commission estimate			185,000
1988 Area Planning Commission estimate			187,600
1989 Area Planning Commission estimate			187,600
1990 Census			175,795
1991 Revised census			175,818
1992 U.S. Census Bureau estimate			176,870
1996 Area Planning Commission estimate			181,280
1997 Area Planning Commission estimate			181,280
1998 Area Planning Commission estimate			183,951
2000 Census			183,133

Miscellaneous Statistical Data (Concluded)
December 31, 2003

Surety Bonds of Principal Officials as of December 31, 2003

City Manager	\$ 250,000
Assistant to the City Manager	250,000
Municipal Judges	250,000
Director of Finance	250,000
City Controller	250,000
City Attorney	250,000
Chief of Fire Department	250,000
Chief of Police Department	250,000
Parks and Recreation Director	250,000
Director of Human Resources	250,000
Director of Management Support	250,000
Director of Planning and Development	250,000
Director of Public Works	250,000
Director of Housing and Neighborhood Programs	250,000
Director of Fleet Services	250,000
Treasury Manager	250,000
Zoo Director	250,000
City Commissions	
Manager – Wastewater Utility	100,000
Manager – Little Rock National Airport	250,000
Manager – Little Rock Port Authority	100,000
Executive Director – Little Rock Advertising and Promotion Commission	100,000

OTHER REQUIRED REPORT

Independent Accountants' Report on Compliance with Certain State Acts

Honorable Jim Dailey, Mayor
and Members of the Board of Directors
City of Little Rock, Arkansas

We have examined management's assertions that the City of Little Rock, Arkansas, complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2003.

- (a) Municipal Accounting Law, Act 159 of 1973, Act 616 of 1979 and Act 308 of 1977 (Arkansas Statutes 19-5301 – 19-5317);
- (b) Municipal Courts, Police Courts, City Courts and Justice of the Peace Courts Accounting Law of 1977, Act 332 of 1977, Acts 677 and 776 of 1985, Act 904 of 1991 and Act 1256 of 1996 (Arkansas Statutes 22-1101 – 22-1108);
- (c) Municipal Court and Police Department Uniform Filing Fees and Court Cost, Act 1341 of 1997;
- (d) Bonding of Municipal Officers and Employees, Act 338 of 1955, Act 677 of 1975, Act 940 of 1977 and Act 1014 of 1987 (Arkansas Statutes 13-412 – 13-412.3) (Replaced by Act 5 of 1985);
- (e) Improvement Contracts over \$10,000, Act 159 of 1949, Act 183 of 1957, Act 477 of 1961, Act 370 of 1977, Act 266 of 1981, Act 871 of 1983, Acts 758 and 759 of 1987, Act 936 of 1989, Act 728 of 1991, Act 645 of 1993 and Act 1319 of 1995 (Arkansas Statutes 14-611 – 14-614);
- (f) Budgets, Purchases over \$2,000; Payments of Claims, Etc., Act 28 of 1959, Act 154 of 1979, Acts 344 and 926 of 1981, Act 745 of 1985 and Act 812 of 1995 (Arkansas Statutes 19-4421 – 19-4430);
- (g) Investment of Public Funds, Act 273 of 1943; Act 106 of 1973, Act 402 of 1995 and Act 1341 of 2000 (Arkansas Statutes 13-901 – 13-904); and
- (h) Deposit of Public Funds, Act 21 of 1935, Acts 57 and 62 of 1945, Act 122 of 1947, Act 18 of 1964, Acts 89 and 107 of 1973, Act 250 of 1987, Act 459 of 1991 and Acts 232 and 700 of 1995 (Arkansas Statutes 13-801 – 13-805).

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Little Rock, Arkansas, complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2003.

This report is intended solely for the information and use of the governing body, management and the state of Arkansas, and is not intended to be and should not be used by anyone other than these specified parties.

May 7, 2004

SINGLE AUDIT SECTION

**Independent Accountants' Report on Compliance and Internal Control Over
Financial Reporting Based on the Audit of the Financial Statements in
Accordance with *Government Auditing Standards***

Honorable Jim Dailey, Mayor
and Members of the Board of Directors
City of Little Rock, Arkansas

We have audited the financial statements of the City of Little Rock, Arkansas, as of and for the year ended December 31, 2003, and have issued our report thereon dated May 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2, 03-3 and 03-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting and its operation that we have reported to the City's management in a separate letter dated May 7, 2004.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 7, 2004

Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs

Honorable Jim Dailey, Mayor
and Members of the Board of Directors
City of Little Rock, Arkansas

Compliance

We have audited the compliance of the City of Little Rock, Arkansas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the compliance of the City of Little Rock, Arkansas based on our audit.

The City of Little Rock, Arkansas' financial statements include the operations of the Central Arkansas Transit Authority, Little Rock National Airport, Little Rock Workforce Investment Board and Port Authority; which expended \$12,599,365, \$33,061,795, \$1,100,143 and \$3,308,552, respectively in federal awards which are not included in the City's schedule of expenditures of federal awards for the year ended December 31, 2003. Our audit, described below, did not include the operations of these component units because each engaged auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Little Rock, Arkansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City of Little Rock, Arkansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-5 through 03-11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over compliance and its operation that we have reported to the Organization's management in a separate letter dated May 7, 2004.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May 7, 2004

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Summary of Auditor's Results

1. The independent accountants' report on the financial statements expressed an unqualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, none of which are considered to be material weaknesses.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified, none of which are considered to be material weaknesses.
5. The independent accountants' report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The City's major programs were:

Program	CFDA Number
Community Development Block Grants/Entitlement Grants	14.218
HOME Investment Partnerships Program	14.239
Section 108 Loan Guarantees	14.248
Local Law Enforcement Block Grant	16.592
Highway Planning and Construction	20.205

8. A threshold of \$305,502 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The City did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2003

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
03-1	<p>The City does not have a policy for recording grant revenues and expenditures. Grants obtained at the department level are not always communicated to the Finance Department. In addition, reconciliations between the departments and Finance are not performed to ensure accurate reporting to external agencies.</p> <p>We recommend that the City consider developing policies and procedures to help ensure the newly created grant department is solely responsible for obtaining, documenting, reporting, recording and monitoring all aspects of federal grants.</p>	None
03-2	<p>Some grants had not been reconciled during the year. Extensive reconciliation procedures were required at year end to prepare a federal awards schedule.</p> <p>We suggest that the City ensure that grant monies are reconciled monthly to monitor any issues that could cause noncompliance with program requirements.</p>	None
03-3	<p>During the course of the audit, we noted that the internal control was insufficient within several departments as conflicting duties were performed by the same individual due to the lack of segregation of duties. Segregation of accounting duties is an essential element of effective internal control, involving the separation of custody of assets from related recording and monitoring of transactions. Segregation of conflicting duties within the City's departments may be difficult because of the limited number of personnel. However, there are compensating controls management could implement to reduce the possibility of errors or fraud going undetected in the normal course of business.</p> <p>We recommend limiting, to the extent possible, performance of incompatible duties by individuals within the City's various departments and functions.</p>	None

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
03-4	<p>During the course of the audit, numerous grant expenditures were incurred in the prior period, but expensed in the current period. Due to the period of availability of each grant, all expenses were within the appropriate grant period of availability.</p> <p>We recommend procedures be implemented to help ensure all grant expenditures are recorded in the period incurred.</p>	None

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
03-5	<p><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u> <u>CFDA No. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development Program Income</u></p> <p>Refunds received for expenditures previously reported and reimbursed by HUD are being reported as program income instead of reducing the expenditures to which they relate. This overstates program income and overstates expenditures.</p> <p>We suggest that the City implement procedures to ensure all refunds are identified and recorded as reductions to the related expenditures. In addition, the City should ensure that the amount of the refund also reduces the amount of federal money requested on the next request for reimbursement from HUD.</p>	None

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
03-6	<p><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u> <u>CFDA No. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development Subrecipient Monitoring</u></p> <p>Subrecipient files for CDBG and HIPP indicate that not all subrecipients were monitored and/or documentation demonstrating monitoring procedures were performed could not be located.</p> <p>We suggest that the City ensure that monitoring procedures are performed and documented as stipulated by the U.S. Department of Housing and Urban Development. In addition, consistent monitoring should ensure any deviations from HUD regulations are addressed immediately and reduce the possibility of questioned costs.</p>	None
03-7	<p><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u> <u>CFDA No. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development Program Income</u></p> <p>We noted that program income for CDBG and HIPP is not spent before additional requests for reimbursement are made as required per HUD regulations.</p> <p>We suggest that the City implement procedures to ensure all program income is accurately tracked, recorded and utilized before additional grant funds are requested.</p>	None
03-8	<p><u>Highway Planning and Construction and Local Law Enforcement Block Grant</u> <u>CFDA No. 20.205 and 16.592, respectively</u> <u>U.S. Department of Transportation/Arkansas State Highway and Transportation Department and U.S. Department of Justice, respectively</u> <u>Allowable Costs/Cost Principles</u></p> <p>The City does not have an indirect cost rate/allocation method. Costs are being manually allocated based on a direct cost percentage. Also, the method used is not consistent from year-to-year.</p> <p>We suggest that the City obtain/develop an approved cost allocation plan so that indirect costs associated with grant programs can be appropriately and consistently allocated to the respective grants. This could enable indirect costs currently paid by the general fund to be paid by the grant funds.</p>	None

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
03-9	<p style="text-align: center;"><u>Section 108 Loan Guarantees</u> <u>CFDA No. 14.248</u> <u>U.S. Department of Housing and Urban Development</u> <u>Special Tests and Provisions</u></p> <p>Loan proceeds were not spent within the allotted time period stipulated by the grant award.</p> <p>We suggest that loan agreements be closely monitored so that all requirements and covenants are met as required by federal guidelines.</p>	None
03-10	<p style="text-align: center;"><u>Highway Planning and Construction</u> <u>CFDA No. 20.205</u> <u>U.S. Department of Transportation/Arkansas State Highway and</u> <u>Transportation Department</u> <u>Davis-Bacon Act, Special Tests and Provisions,</u> <u>Procurement and Reporting</u></p> <p>During the testing of the grant, the following issues were noted:</p> <ul style="list-style-type: none"> • Grant awards/agreements were not maintained for all projects. • Ordinances authorizing the projects were not maintained for all projects. • Grant expenditures and grant revenues received were not reconciled during the year. • Requests for reimbursements were not made in a timely manner creating an extensive accounts receivable balance at year end. • Monitoring of Davis-Bacon Act compliance had not been performed during the project period. • Bidding files were not maintained for one project selected for testing. <p>We suggest that all documentation on grant awards be maintained, all projects be supported by authorization from the Board of Directors, grants be reconciled on a monthly basis, requests for reimbursements be made monthly and monitoring procedures be performed as required per the federal regulations.</p>	None

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs (Concluded)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
03-11	<u>Community Development Block Grant (CDBG) and Community Development Block Grant – Section 108 Guaranteed Loan Program CFDA No. 14.218 and 14.248 Davis-Bacon Act</u>	None

On-site interviews for Davis–Bacon requirements for one project receiving CDBG funds and one project receiving Section 108 funds was not conducted during the current year.

We suggest that all Davis – Bacon requirements be performed in a manner prescribed by HUD to help ensure compliance with grant requirements per federal regulations.

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2003

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Status
02-1	<p>The City does not have a policy for recording grant revenues and expenditures. Grants obtained at the department level are not always communicated to the Finance Department. In addition, reconciliations between the departments and Finance are not performed to ensure accurate reporting to external agencies.</p> <p>We recommend that the City consider centralizing and developing a grant department that would be solely responsible for obtaining, documenting, reporting, recording and monitoring all aspects of federal grants.</p>	Unresolved. See similar finding at 03-1.
02-2	<p>Some grants had not been reconciled during the year. Extensive reconciliation procedures were required at year end to prepare a federal awards schedule.</p> <p>We suggest that the City ensure that grant monies are reconciled monthly to monitor any issues that could cause noncompliance with program requirements.</p>	Unresolved. See similar finding at 03-2.
02-3, 01-2, 00-3	<p>During the course of the audit, we noted that the internal control was insufficient within several departments as conflicting duties were performed by the same individual due to the lack of segregation of duties. Segregation of accounting duties is an essential element of effective internal control, involving the separation of custody of assets from related recording and monitoring of transactions. Segregation of conflicting duties within the City's departments may be difficult because of the limited number of personnel. However, there are compensating controls management could implement to reduce the possibility of errors or fraud going undetected in the normal course of business.</p> <p>We recommend limiting, to the extent possible, performance of incompatible duties by individuals within the City's various departments and functions.</p>	Unresolved. See similar finding at 03-3.

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2003

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
02-4	<u>Community Development Block Grant</u> <u>CFDA No. 14.218</u> <u>U.S. Department of Housing and Urban Development</u> <u>Reporting</u>	Resolved.
	<p>The 2 financial reports sampled contained mathematical errors and inconsistencies with beginning and ending balances due to the failure to include all income as required by the Department of Housing and Urban Development (HUD)</p> <p>We recommend that the City implement controls to ensure all reports submitted to HUD are accurate, complete and filed in a timely manner.</p>	
02-5	<u>Community Development Block Grant (CDBG) and HOME</u> <u>Investment Partnership Program (HIPP)</u> <u>CFDA No. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development</u> <u>Program Income</u>	Unresolved. See similar finding at 03-5.
	<p>Refunds received for expenditures previously reported and reimbursed by HUD are being reported as program income instead of reducing the expenditures to which they relate. This overstates program income and overstates expenditures.</p> <p>We suggest that the City implement procedures to ensure all refunds are identified and recorded as reductions to the related expenditures. In addition, the City should ensure that the amount of the refund also reduces the amount of federal money requested on the next request for reimbursement from HUD.</p>	

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
02-6	<u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u> <u>CFDA No. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development Subrecipient Monitoring</u>	Unresolved. See similar finding at 03-6.
	<p>Subrecipient files for CDBG and HIPP indicate that not all subrecipients are monitored during the project period. Some subrecipients are not monitored until the project is complete.</p> <p>We suggest that the City implement monitoring procedures to ensure that all projects are monitored periodically throughout the project period to help prevent noncompliance with the U.S. Department of Housing and Urban Development requirements. In addition, consistent monitoring should ensure any deviations from HUD regulations are addressed immediately and reduce the possibility of questioned costs.</p>	
02-7	<u>Welfare-to-Work Grants to States and Localities</u> <u>CFDA 17.253</u> <u>U.S. Department of Labor</u> <u>Eligibility</u>	Partially resolved. Program closed. Questioned costs of \$10,151 pending.
	<p>Of a sample of 10 files, 5 files did not include documentation for approval of rental assistance paid to the participant.</p> <p>We suggest that the City implement procedures to ensure all documentation is maintained in the file to provide evidence that all participants receiving benefits are eligible in accordance with program requirements.</p>	

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
02-8, 01-4	<p><u>Welfare-to-Work Grants to States and Localities, Work Force Investment Act Grant (Cluster), Highway Planning and Construction and Local Law Enforcement Block Grant</u> <u>CFDA No. 17.253, 17.258, 20.205 and 16.592, respectively</u> <u>Allowable Costs/Cost Principles</u></p> <p>The City does not have an indirect cost rate/allocation method. Costs are being manually allocated based on a direct cost percentage. Also, the method used is not consistent year-to-year.</p> <p>We suggest that the City obtain/develop an approved cost allocation plan so that indirect costs associated with grant programs can be appropriately and consistently allocated to the respective grants. In addition, this could enable indirect costs currently paid by the general fund to be paid by the grant funds.</p>	Partially resolved. See similar finding at 03-8.
02-9	<p><u>Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HIPP)</u> <u>CFDA No. 14.218 and 14.239</u> <u>U.S. Department of Housing and Urban Development</u> <u>Program Income</u></p> <p>We noted that program income for CDBG and HIPP is not spent before additional requests for reimbursement are made as required per HUD regulations.</p> <p>We suggest that the City implement procedures to ensure all program income is accurately tracked, recorded and utilized before additional grant funds are requested.</p>	Unresolved. See similar finding at 03-7.

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
02-10	<p style="text-align: center;"><u>Welfare-to-Work Grants to States and Localities</u> <u>CFDA 17.253</u> <u>U.S. Department of Labor</u> <u>Eligibility</u></p> <p>Documentation to determine eligibility or to determine when benefits were discontinued was not maintained in a manner required by the U.S. Department of Labor (DOL). In addition, 13 of the 30 files sampled had forms documenting whether the participant was 70% eligible or 30% eligible for benefits that directly contradicted the percent of eligibility maintained in the files. Due to these inconsistencies and the inability of the client to determine the amount of benefits paid to the individuals, it can not be determined if the participants were eligible for the program.</p> <p>We suggest that the City implement controls to ensure all documentation required by DOL is accurate, maintained in the files and agrees with the client's database. In addition, the City should obtain the required documentation for all 2002 participant, redetermine the proper percentage classification for each participant and correct any reports of costs claim as necessary.</p>	<p>Partially resolved. Program closed. Questioned costs of an undetermined amount pending</p>
02-13	<p style="text-align: center;"><u>Workforce Investment Act Cluster</u> <u>CFDA No.17.258, 17.259 and 17.260</u> <u>U.S.Department of Labor/Arkansas Employment Security Department</u> <u>Subrecipient Monitoring</u></p> <p>From January 1, 2002 to April 24, 2003 the City passed \$362,740 to a subrecipient. Due to the fact that the subrecipient did not have sufficient controls in place to safe guard program assets or adhere to federal guidelines, the Arkansas Employment Security Division intervened and took control of the program. Due to the City's inability to monitor the subrecipient for compliance, assurance as to the allowability of costs and eligibility of participants can not be determined and is therefore questioned.</p> <p>We suggest that the City implement procedures to ensure the monitoring of grant monies passed to subrecipients for compliance. In addition, the City's monitoring should have processes that ensure any deviation from federal requirements is addressed immediately and action taken to help prevent questioned costs.</p>	<p>Partially resolved. Program closed. Questioned costs pending.</p>

City of Little Rock, Arkansas
Schedule of Findings and Questioned Costs (Concluded)
Year Ended December 31, 2003

Reference Number	Finding	Questioned Costs
02-14	<p style="text-align: center;"><u>Section 108 Loan Guarantees</u> <u>CFDA No. 14.248</u> <u>U.S. Department of Housing and Urban Development</u> <u>Reporting</u></p> <p>During the current year, monthly cash reports were not sent to HUD as stipulated by the loan agreement.</p> <p>We suggest that loan agreements be closely monitored so that all requirements and covenants are met as required by federal guidelines.</p>	Resolved.
02-15	<p style="text-align: center;"><u>Highway Planning and Construction</u> <u>CFDA No. 20.205</u> <u>U.S. Department of Transportation/Arkansas State Highway and</u> <u>Transportation</u> <u>Davis - Bacon Act and Reporting</u></p> <p>During the testing of the grant, the following issues were noted:</p> <ul style="list-style-type: none"> • Grant awards/agreements were not maintained. • Ordinances authorizing the projects were not maintained. • Certain projects had expenditures in excess of authorized ordinances. • Grant expenditures and grant revenues received were not reconciled during the year. • Requests for reimbursements were not made in a timely manner creating an extensive accounts receivable balance at year end. • Monitoring of Davis - Bacon Act compliance has not been performed during the project period. <p>We suggest that all documentation on grant awards be maintained, all projects be supported by authorization from the Board of Directors, expenditures not exceed authorization, grants be reconciled on a monthly basis, requests for reimbursements be made monthly and monitoring procedures be performed as required per the federal regulations.</p>	Partially resolved. See similar finding at 03-10.

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings (Concluded)
Year Ended December 31, 2003

Reference Number	Finding	Status
02-13, 01-3	<p style="text-align: center;"><u>Workforce Investment Act and JTPA</u> <u>CFDA 17.259 and 17.260</u> <u>Department of Labor/Arkansas Employment Security Department</u> <u>Subrecipient Monitoring</u></p> <p>The Federal Register/Vol. 65, No. 156, Section 667.410 states:</p> <p>The roles and responsibilities for all recipients and subrecipients of funds under WIA Title I in general require each recipient and subrecipient to conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to:</p> <ul style="list-style-type: none"> • Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and regulations in this part; • Determine whether or not there is compliance with other provisions of the Act and the WIA regulations and other applicable laws and regulations; and • Provide technical assistance as necessary and appropriate. <p>While monitoring procedures were performed by the City of Little Rock, a weakness exists in its monitoring controls as there was a lack of timely monitoring performed on a subrecipient.</p>	<p>Unresolved. Program closed. Questioned costs of \$1,311,701 pending.</p>
02-11, 01-5	<p style="text-align: center;"><u>Welfare-to-Work Grants to States and Localities</u> <u>CFDA No. 17.253</u> <u>U.S. Department of Labor</u> <u>Equipment and Real Property Management</u></p> <p>The City has not taken a required physical inventory of equipment acquired under the federal program. We recommend that the City implement procedures to ensure that all inventory requirements stipulated by Federal Guidelines are followed.</p>	<p>Resolved.</p>

City of Little Rock, Arkansas
Summary Schedule of Prior Audit Findings (Concluded)
Year Ended December 31, 2003

Reference Number	Finding	Status
01-6	<u>Community Development Block Grants</u> <u>CFDA No. 14.218</u> <u>U.S. Department of Housing and Urban Development</u> <u>Reporting</u>	Resolved.
	<p>Program regulations require the City to comply with reporting requirements as specified by Federal regulations. Sufficient reporting to meet federal guidelines was not being done. Grant monies received were not recorded in the general ledger in a timely manner. Most postings were approximately two months behind the date of receipt. We suggest that the City ensure that all federal monies received are recorded at date of receipt to ensure accurate accountability.</p>	
02-12, 01-7	<u>Local Law Enforcement Block Grants Program</u> <u>CFDA No. 16.592</u> <u>U.S. Department of Justice</u> <u>Equipment and Real Property Management</u>	Resolved.
	<p>The City's inventory records did not include information related to the use and condition of the property acquired with Federal funds, as required by OMB Circular A-102, <i>Grants and Cooperative Agreements with State and Local Governments</i>. The City should update and expand its inventory records to include all required information.</p>	